Food System Impacts of Covid-19 – Research Brief 4

The Meat Sector

SOME PRE-COVID CONTEXT

Imports/Exports

The UK is a **net importer** of beef, pork and sheep meat. In 2018 it imported 1,606,700 tonnes and exported 500,100 tonnes of beef, pork and sheep meat. [See below]

British consumers tend to eat a limited range of meat cuts (for example, chops and steaks). UK demand for these popular cuts of meat is not met by domestic production alone so meat processing companies rely on imports for 26% of their supply.[1]

However, when producers process a carcase, in addition to the popular cuts of meat like chops and steaks, they also produce a range of cheaper cuts, offal and other by-products which don't have a ready market in the UK and need to be exported. These exports – which account for about 17% of the UK meat processing industry's revenue – are crucial, as the income received for the cuts of meat eaten by UK consumers does not come close to covering the cost of buying the animal and processing it. A healthy export market for offal and other animal by-products, therefore, is absolutely vital for meat processors profitability as it enables them to achieve what is known in the trade as **'carcase balance'**.

Meat Sub-Sectors

The meat sector is not one singular entity but is made up of many different sub-sectors and associated supply chains and markets. In this Research Brief we focus on the beef (and veal), pork, and sheep meat sectors.

Beef

- In 2018 the UK **produced 922,500 tonnes** of beef and veal of which **147,100 tonnes (15.9%), were destined for export**.
- The EU was the largest single market for UK fresh and frozen beef and veal and beef offal accounting for approximately **89% and 57% of exports** (by volume) respectively.
- The **top 3 individual export countries** for UK beef and veal were: Ireland 33%, Netherlands 25%, and France 8%.
- In 2018 the UK **consumed an estimated 1,228,200 tonnes** of beef and veal, of which **452,800 tonnes (37%) were imported**.
- The **top 3 sources for UK fresh and frozen beef and veal imports** were: Ireland 73%, Netherlands 7%, and Poland 6%.
- International trade is therefore vitally important to the UK beef sector to meet UK consumer demand and to 'balance the carcase'. Most of the beef that is imported comes in the form of fresh boneless beef, and the EU market is an important destination for cow beef and bovine offal.

Source: The UK Cattle Yearbook 2019 (AHDB)

Pork

- In 2018 the UK **produced 927,000 tonnes of pork** of which **266,000 tonnes (28.7%) were destined for export**.
- The EU was the largest single market for UK fresh and frozen pork meat accounting for approximately **63% of exports** (by volume).
- The **top 3 individual export countries** for UK fresh and frozen pork were: China 19%, Ireland 16%, and Germany 15%. For pig offal, the top 3 export countries were: China 46%, Hong Kong 15%, and Netherlands 10%.
- In 2018 the UK **consumed an estimated 1,722,000 tonnes** of pork, of which **1,062,000 tonnes (61.6%) were imported**.
- The **top 3 sources for UK fresh and frozen pork imports were**: Denmark 33%, Germany 21%, and Netherlands 10%. For **bacon imports** the top 3 sources were: Netherlands 48%, Denmark 26%, and Germany 16%.
- 'Domestic demand is strong for loin and leg cuts, in particular, so exports mainly aim to find better markets for other products, which have a higher value overseas than in the UK. These markets also help to reduce the volume of waste, by taking products for which there is little or no value in the UK, such as offal.'

  Source: UK Pig Facts and Figures 2019 (AHDB)

Sheep

- In 2018 the UK **produced 288,600 tonnes of lamb and mutton** of which **87,300 tonnes (30.2%) were destined for export**.
- The EU was the largest single market for UK fresh and frozen sheep meat and sheep offal accounting for approximately **95% and 69% of exports** (by volume) respectively.
- The **top 3 individual export countries** for UK fresh and frozen sheep meat were: France 43%, Germany 18.3%, and Ireland 11.2%.
- In 2018 the UK **consumed an estimated 293,200 tonnes of sheep meat,** of which **91,900 tonnes (31.3%) were imported**.
- In 2018 the **top 3 sources for UK fresh and frozen sheep meat imports** were: New Zealand 66%, Australia 13%, and Ireland 10%.

  Source: The UK Sheep Yearbook 2019 (AHDB)

COVID: IMPACTS and RESPONSES

According to early reports, the spread of Covid in the UK and its subsequent impact on the red meat supply chain was 'complex and far reaching': farm-gate prices were volatile; abattoirs and processing plants faced significantly reduced staffing levels; and two-metre distancing rules created challenges on processing lines. The closure of the domestic hospitality sector and important export markets also had a profound effect on the sector, significantly disrupting the market and changing the 'balance' of meat cuts required and opportunities for processors to earn crucial revenue from the whole of the carcase.[2]

The Carcase Balance Crisis

In early and mid-March 2020 pre-lockdown 1 'panic-buying' [see also Research Brief 2] saw a 45% increase in demand for minced beef. During this period 60% of all beef sold through mainstream retailers was minced, diced or some other low value cut.

With the imposition of lockdown 1 in late March 2020 came the closure of the domestic food service sector and a key market for many high value cuts. Restrictions on family gatherings for Easter and Ramadan also led to a reduction in demand for more expensive cuts of meat. At the same time, closure of the EU export market decimated demand for beef offal and other parts of the carcase (including hides, skins and other by-products).

With *increased* demand for mince and other low value cuts but *reduced* demand for more expensive cuts (e.g. steak and hindquarter) and other by-products, pricing models were significantly impacted and many meat producers and processors found it extremely difficult to 'balance the carcase' and realise the total value of the animal.

Responses

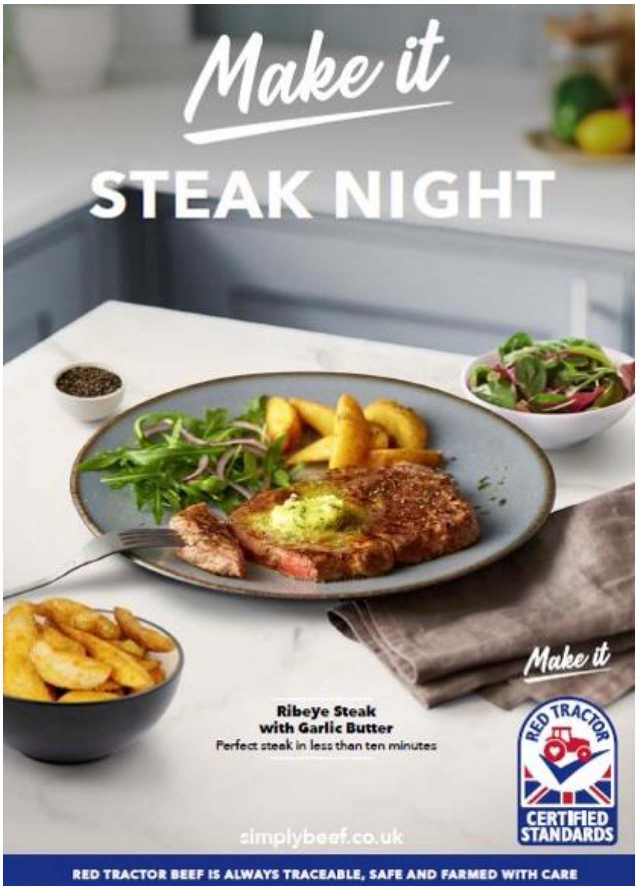
As with the seafood [see Research Brief 1] and fruit and veg [see Research Brief 3] sectors, some meat **producers and suppliers** responded to the loss of established markets by pivoting to direct sales. Catering butchers, for example – a unique group who were particularly impacted by the closure of the hospitality sector, and who received little in the way of government support outside the furlough scheme – had few options but to find alternative routes to market. Many moved quickly to click and collect and home delivery services and some moved to markets and farmers markets.[3] These agile responses helped keep many businesses ticking over, but order sizes were smaller, margins tighter and revenues only a fraction of what they were pre-Covid.[4]

With cold stores full to capacity with expensive cuts of meat for which there was no market, some **processors**, in response to the carcase balance crisis, were forced to freeze (and in so doing de-value) stock in the hope that demand would return in the future. Others opted to mince or dice prime cuts to meet retail demand and minimise losses.

Some UK supermarkets (including Aldi, Sainsbury's and Tesco) responded to soaring demand for beef mince by switching to imported 'No Fuss' Polish beef.[5] This move, however, was heavily criticised by UK producers and processors. The National Beef Association (NBA), for example, voiced considerable concerns about what it called the 'Polish mince fiasco',[6] while The British Meat Processors Association (BMPA) warned that such moves were detrimental to the beef supply chain and called for support from retailers in selling higher value beef.[7]

The Polish mince fiasco aside, most **supermarkets** were keen to show support for British beef producers and to help mitigate Covid-related market imbalances. Waitrose, for example, launched a promotional push on steak products in a bid to help beef farmers address carcase balance issues,[8] while Aldi bought more British beef to level-out supply and demand imbalances.[9]

At the beginning of April 2020, recognising the severity of the issue, and in a concerted effort to improve carcase balance and mitigate the impact of the closure of the hospitality sector and the unprecedented fall in demand for premium beef cuts, the English, Scottish and Welsh meat **levy boards** (Quality Meat Scotland (QMS), Hybu Cig Cymru – Meat Promotion Wales (HCC) and the AHDB) launched the 'Make It Steak' campaign. The £1.2m TV, video on demand, radio and social media initiative ran for 12 weeks and aimed to inspire consumers to create restaurant-style meals in the comfort of their own home, and in so doing boost sales of a variety of high-quality hindquarter cuts.[10]



Sheep Meat and Pork

Although it was often portrayed primarily as a beef sector problem, the carcase balance crisis was not exclusively so, with both the sheep meat and pork sectors also impacted. The sheep sector, for example, where about 60% of higher-value cuts on the market such as loins, racks and fillets would normally be sold 'out-of-home' or in export markets, also struggled to extract enough value out of the carcase during the early stages of the crisis.[11] In response, and following the success of the 'Make It Steak' campaign, Quality Meat Scotland (QMS), Hybu Cig Cymru – Meat Promotion Wales (HCC) and the AHDB (Agriculture and Horticulture Development Board) launched the 'Make It With Lamb' campaign.[12]

With 38% of a pig carcase (mostly lower value cuts and offal) usually destined for export, principally to China and to the German sausage sector, closure of these markets, along with the domestic out-of-home sector, caused significant carcase balance issues for some pig meat producers too. In response, and in an attempt to encourage UK consumers to eat more pork shoulder, a traditionally less favoured cut for home consumption, the AHDB launched the 'Make it Pulled Pork' campaign.[13]

A Strong Recovery

After the early-spring carcase balance issues, meat retail sales and farm-gate prices staged a remarkably strong recovery. By the late-summer/early-autumn of 2020, boosted in part by the 'Make It Steak' campaign, beef sales, for example, had increased significantly. GB retail data from Kantar Worldpanel for the twelve week period up to 9 August, showed that consumers had spent over half a billion pounds on beef, helping to some extent to offset the loss of business in the eating out sector due to Covid restrictions. Total retail sales were up £522.7 million, 19.3% on the same period 2019, with consumers purchasing a total of 65,000 tonnes of beef, up 16.2%.[14]

Beef prices also rebounded strongly after the sector's carcase balance issues in April, with a tightening in supply and a surge in demand hiking prices by almost 15% year on year. The National Beef Association (NBA) interim CEO Neil Shand, suggested prices also rose due to a demand shift towards domestically produced beef as consumption switched to the home.[15]

After the loss of the important Easter market, lamb retail sales were a little slower to recover, up just 1% by volume in the 24 weeks ending 9 August. However, over the 12 weeks to 4 October 2020 sales by volume picked up significantly and were up 11% compared with the same period 2019.[16]

Pork sales proved to be one of the major beneficiaries of a prolonged period of warm and sunny 'barbeque' weather experienced during the spring and summer of 2020. Kantar analysis found, for example, that the number of pork sausages consumed at British barbeques over the summer of 2020 was up 48% on the previous year.[17] This boost in banger sales contributed to an overall increase in pork sales of 13% (by volume) in the 24 weeks ending 9 August.[18]

FOCUS – Media Coverage of Meat Plant COVID Outbreaks

During the summer of 2020, as the total number of cases of coronavirus started to fall, media attention seemed to turn to isolated outbreaks. A recurring meat/Covid related story over this period was the issue of CV-19 transmission at meat processing plants. The BBC, for example, were asking: Why have there been so many outbreaks at meat processing plants?, while *The Grocer* enquired: Could more be done to stop food factory Covid outbreaks? *The Guardian* reported that unions blamed Poor conditions in meat plants for fuelling Covid-19 outbreaks, while *The Telegraph* revealed that: A cold environment, close working, and shared transport create the perfect breeding ground for the virus.

Giving evidence to an EFRA committee meeting in May 2020, the CEO of the BMPA (British Meat Processors Association) acknowledged that meat processing plants were not designed to cope with 2m distancing and that everyone involved was on a 'deep learning curve', but pointed out that the main challenges for the sector were the 'lack of clarity from Public Health England' with respect to PPE requirements and ongoing issues with the government's key workers testing regime, particularly the amount of time it took to receive results back, which in some instances was 6 or more days.[19]

A number of Expert Panel members were also keen to counter the media narrative that Covid outbreaks were particularly prevalent in meat processing, pointing out that plants already operated according to the strictest of standards and had made significant additional capital investment to mitigate the impact if the pandemic. The vast majority of incidences of Covid, one Expert Panel member suggested, were 'community *not* plant based', and that media coverage had served to exaggerate the problem, when, in fact, there had been fewer than 100 outbreaks across the 6494 food premises covered by either the FSA or a local authority.[20]

Another Expert Panel member agreed, stating that there had been a 'far greater number of incidences in workplaces outside the food sector than inside it', but continued by remarking that inconsistencies in public health advice and management approaches hadn't helped when there had been issues.[21]

A third Expert Panel member also suggested that actual incidences of outbreaks were extremely low compared to what was being suggested in the media. They also explained that with the meat sector often reliant on a small number of large processing plants (e.g. 80% of pigs are processed through just 4 plants), the implications for the whole supply chain of one of those plants closing for any length of time as a result of a Covid outbreak were huge, and as such, enormous amounts of time and money had been invested in PPE and processes to ensure that did not happen.[22]

Another Lockdown, Another Crisis

In the autumn of 2020, on the eve of entering lockdown 2, the AHDB predicted that, second time around, national restrictions would have a less dramatic impact on the meat sector than they had done during lockdown 1.[23] The preparedness of food service businesses and the strong performance of British meat compared to imported meat in the retail sector, they suggested, placed the meat sector in a more resilient position. In early 2021, looking back over the previous few months, there was a general consensus among the project's Expert Panel, that lockdown 2's impacts had indeed been less damaging. Important lessons had been learnt by the sector from lockdown 1 about how to respond quickly to changing patterns of demand and pivot to online/direct sales, and about how to adapt efficiently to Covid compliant working practices.[24]

> ***EXPERT PANEL QUOTE***
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> *"The systems and processes the government had in place were so slow to react, that if it wasn't for the fresh produce sector, the lorries would still be in Kent! […] Some businesses were setting up their own Covid testing systems and translating them into French, and some people were working 100-hour weeks to get things sorted. […] This was a real crisis and the worst since foot and mouth in 2002. The movement of goods through the English Channel ports was materially affected… and it was commercial resolve and need that resulted in it being sorted rather than government intervention."*
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> *Expert Panel Member, January 2020*

But no sooner had the sector survived a second lockdown, it was plunged into another crisis when, in an attempt to stop the spread of a new coronavirus variant (the Kent/Alpha variant), France closed its borders with the UK. With huge quantities of fresh beef, pork and lamb both imported and exported through France, the UK meat sector was among the most impacted by the closure of the port of Dover and Eurotunnel.[25] The short but impactful 'Dover closure crisis' caused considerable disruption to fresh meat just-in-time supply chains. Some exporters/hauliers were able to reroute via Rotterdam, others turned around, but many got caught-up in the chaos and queues, and saw the value of their fresh, short shelf life, products wiped-out or significantly reduced.

After three days, and the build-up of an estimated 5000 lorries, the border reopened. This, however, did little to immediately solve the problem or ease congestion as lorry drivers were required to provide a negative PCR or antigen test sensitive to the new variant in advance of their crossing. Frustrated at a lack of information and a sense of urgency from the government, it was the commercial sector which, according to a number of Expert Panel members, put many of the necessary systems and processes in place to get drivers tested and lorries moving again, and in so doing, played a key role in resolving the crisis and averting a potential catastrophe. [See Expert Panel Quote]

2020: A Good Year for the Meat Sector

Despite two crises, two lockdowns, some unfavourable media coverage, and a host of other unprecedented challenges, 2020 turned out to be a fairly good year for the meat sector, or at least for the meat retail sector.

According to the AHDB, total retail volume sales of meat, fish and poultry grew by 8% in the 52 weeks to 27 December 2020. In the battle of the proteins beef emerged as the clear winner growing at a rate of 11%, compared with pig meat at 8% and lamb at 4%.[26] The strong growth for beef, the AHDB suggested, was driven by all cuts but particularly steaks as consumers tried to replicate the restaurant experience in-home.[27] While not performing quite as well as beef, retail lamb and pork nevertheless also saw quite significant increases in sales by value. According to Kantar, for example, total spending on lamb for the year was £652m, up 10.8% on the previous 12 months, while sales of fresh pork grew by 17.5% compared with the previous year, with frying and grilling cuts contributing strongly, along with roasting cuts, which grew by an impressive 19.3%.[28]

With retail demand high, and with farm-gate prices recovering following some early year volatility and remaining elevated for the rest of 2020, the vast majority of meat producers and suppliers managed to survive, and some were even able to thrive during the worst of the pandemic. As with other sectors [see, for example, the seafood sector and Research Brief 1], experiences and fortunes varied across different sub-sectors, and according to markets supplied, and the speed and ease with which alternative routes to market could be found, but, in the main, despite facing considerable challenges at times, most meat producers and suppliers were able to successfully manage and mitigate the impacts of Covid.

Ongoing Challenges

With the New Year, however, came a whole new layer of challenges related to new arrangements for exporting food to the EU following the end of the transition period. For a sector heavily reliant on EU exports new administrative burdens added both additional expense, and time, to what had previous been a relatively quick and pain free process. UK pig meat destined for Germany, for example, which had a 10-day shelf life, and would normally take a matter of hours, was taking up to 6 days to get through, a delay that left German processing plants insufficient time to process and distribute the produce.[29] [See also COMMENTARY Research Brief 1]

While the meat sector's focus had understandably shifted to Brexit, Covid had not gone away. Lockdown 3, which came into force in England on 6th January 2021, brought with it, however, no significant new challenges, and there was a general consensus at February 2021's Expert Panel meeting that it was proving to be less damaging than the previous two lockdowns.[30] Some business models had been 'knocked out of shape' by Covid-related changing patterns of demand and consumption, and by the additional cost associated with Covid compliance, but most had learned how to adapt and to cope with the problems Covid posed, at least in the short-term.[31]

Coping, however, is not thriving, and in an industry where profit margins are typically 5% or less, added costs in the system due to either Covid, or EU trading, or both, will inevitably, in the medium to long-term, lead to some businesses becoming unviable. At the time of writing [Summer 2022], this is still, over two years in, an unfolding narrative and the impacts of Covid, Brexit, and Covid-Brexit are still very much being felt.

KEY RESOURCES

https://britishmeatindustry.org/

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