Livestock markets

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AGRICULTURE & HORTICULTURE DEVELOPMENT BOARD

A review of livestock markets in England

Prepared for the Livestock Auctioneers Association (LAA)
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BEEF & LAMB

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1. Introduction

To mark the 200th anniversary of the livestock market this review of the auction mart system of trading livestock, as it exists in England in 2017, has been prepared. It looks at the structure of the system, how it has developed in recent years, the various factors that affect it, the challenges it faces and the opportunities for its future sustainability.

Despite almost two decades beset with problems, livestock markets have survived as a means of buying and selling store and finished livestock, albeit with a gradual rationalisation in their number.

Livestock markets as we know them today and their locations throughout most of Britain, are as much a reflection of the development of the transport networks that service them as of the areas in which livestock are produced. Many of the livestock markets still operational today can trace the history of their current locations to the development of the railway networks in the middle of the 19th Century.

Over the past 50 years or so, the influence of the railways on livestock markets, has been replaced by that of the developing network of trunk roads and motorways. In recent years, the influence of this development can be seen in the new sites chosen for many of the large combined 'livestock market and agribusiness centres' that have been built, many of which re-located from older town centre sites that were near railways.

The livestock markets that operate today can, for convenience be grouped, into four generic categories, these are livestock markets:

1) In traditional town centre (TC) sites (eg Thrapston).
2) In rural sites (RS) with limited facilities, ie penning and a few small office buildings (eg St Johns Chapel).
3) Those have moved in recent years from traditional town centre sites to those on the edge of town (RLM), but only into new functional auction market facilities (eg Cirencester).
4) Those that have moved and are part of a large agri–business (AB) complex (eg Sedgemoor).

2. A short history of the development of livestock markets

2.1 The nature of markets

In common speech, the term 'market' is often used to mean a specific location where trading takes place on certain occasions. As used in conventional economics thinking, the term is much wider, and can refer to all the agents concerned in the exchange of any commodity, either in a specific local area or the whole world.

Livestock markets can therefore be defined as specific locations with dedicated facilities, where buyers and sellers come together to buy or sell live animals.

The earliest form of livestock market often co-existed within those specific locations where people came together to buy and sell the essentials of everyday life. In many cases this was in a market town, from which many livestock markets still operate today. Such towns often had a royal charter (usually granted to nobles connected with the town who had earned favour) and regarded as a highly valued privilege.[1]

Livestock would usually be brought to the market area of such venues, tethered or corralled in temporary pens and exchanged through private treaty haggling between buyers and sellers. This would have been common practice until the middle of the 19th Century and beyond in even the largest towns (eg as illustrated by Figure 1).

Figure 1. The last days of old Smithfield market, 1855

1 *The Domesday survey of 1086 mentions 42 markets. In feudal times, all markets were the King's property and could not be held without obtaining a Charter from the King. In recent years, the continued existence of such charters have often caused problems for local authorities who, after deciding that a market site within a town (including livestock markets) is ripe for development have often been frustrated by the responsibility of such charters, which means that local authorities have continued to provide and develop alternative sites to run the existing market.*

This method of exchange was gradually replaced around the middle of the 19th Century by the auction method that is familiar today, with an auctioneer taking open outcry bids. This is used as a method of arriving at a sale price not only in livestock markets but also, in various formats, until recently on the trading floors of many financial, commodity and derivative markets throughout the world.

However, perhaps sadly for many participants, electronic trading screens are today gradually replacing the old 'trading pits' in many of the exchanges around the world. Although seen as more efficient, many accept that to a greater or lesser extent the character of the 'markets' and their human interactions have been lost by such developments.

Purpose-built market structures for the exchange of livestock were erected in towns and cities across the country to accommodate such methods of price formation and exchange, with one of the first livestock markets as they are known in Britain today, with permanent penning and a sales ring, built at Cockermouth in 1865. This has claimed to be the first of such facilities in England, although the claim for the first in Britain is held by Hawick Auction Mart in 1817.

The repeal of what most saw as this iniquitous duty, laid one of three main foundations for the development of the livestock auction business from the mid 1840s.

The second was the gradual expansion in and improvements to livestock production and the third, but not least, was the rapid improvement of transport facilities that was also taking place at this time with the advent and rapid spread of the railways.

2.2 Livestock markets and the railways

By the mid-19th Century, railways were fast being built to connect the many market towns and cities that had been the centre of rural market activity for centuries. The railways made it possible, for the first time, for large numbers of animals to be easily assembled at what could be described as 'nodal points' and then shipped to other destinations. They enabled buyers of finished stock destined for slaughter at abattoirs in the major towns and cities, to source them from greater distances, and were also responsible for the expansion in the store trade in livestock from Ireland. Figure 2 shows sheep being loaded into railway wagons for onward transport in 1896.

Before the coming of the railways, the movement of livestock was only possible through droving them on foot between destinations. However, this did not prevent long distance movement of large numbers of livestock over a countrywide network of drove roads that had been established for centuries.[2]

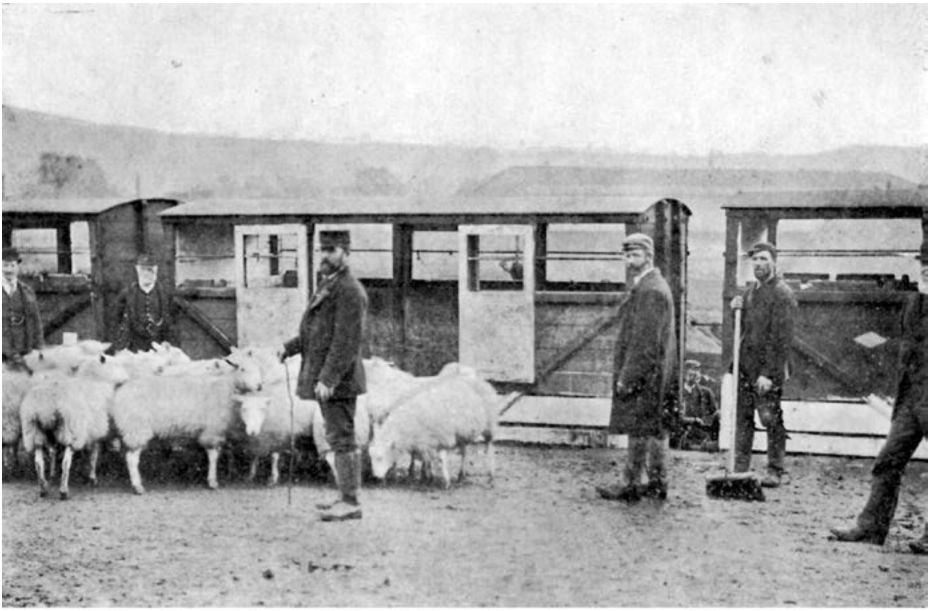

Figure 2. Sheep being loaded at Hawick station, 1896

Although the railways expedited the moving of large numbers of livestock away from a market, at first many livestock were still moved by drovers over local distances to the auction market. Because livestock can only be driven a relatively short distance in a day (distances of five to 10 miles were reported then as being common, although longer daily journeys were possible), this resulted in the establishment of a large number of markets each serving its local area. The limit as to how far farmers/drovers would move livestock to one market rather than another (ie the catchment area of each market), was and is affected by the local topography, as well as by their feelings about one market in comparison with another.

In past times for many producers selling general agricultural produce, a day at the market was just that! The journey to market took a third of the day, trading required another third, and the weary journey home used up the remaining

2 *For a detailed description of the livestock marketing network in Britain before the coming of the railways, see 'The Drovers' by KJ Bonser 1970 published by Macmillan. The railways were a main cause that led to the abandonment of the miles of drove roads. By 1848 there were 5,000 miles of railways in Britain. Even before 1845, the Liverpool and Manchester line was used to transport more than 100,000 animals annually. But long distance droving did not finish altogether and the he last recorded droves of draft Welsh mountain ewes from the Tregaron area in Cardiganshire to Harrow on the Hill, Middlesex was in 1900.*

third. A man was deemed to be able to travel 20 miles in a day and thus it was determined that markets must be at least six and two-third miles apart. It is believed that this calculation is still used today as the basis for the protection of general market rights, although is not specific to livestock markets.

As self-propelled road transport was developed, local livestock transport companies with specialist livestock lorries (which were small compared to the large articulated vehicles of today) began to move more and more livestock to and from the livestock markets. These were supplemented by farmers gradually acquiring their own transport, which has since developed into the use of the ubiquitous 4x4 vehicle (which today includes the 'Fastrac' tractor) plus trailer that is a common method for individual farmers to bring livestock to market today.[3]

By 1950, the total number of livestock carried by rail in a year was 1,750,000 cattle, 3,500,000 sheep, 330,000 pigs and 64,000 calves (source: British Railways Board), but the use of road transport was gradually increasing.

The transport of livestock away from markets by rail was dealt a severe blow by the Beeching Report in 1963. This led to the large scale closure of many railway lines, although the number of livestock transported by rail was falling before this. In 1962, compared with earlier figures, the number of livestock transported by rail had fallen to 703,000 cattle, 262,000 sheep, 49,000 pigs and 40,000 calves (source: British Railways Board).

At about the same time, it was reported by the Road Haulage Association (whose members only represented the larger transport companies with larger vehicles), that their members operated some 3,250 livestock vehicles. Most of these vehicles had a capacity of between three and nine tonnes, compared to the 30 to 49 tonne articulated vehicles common today, with 20% of journeys being over 100 miles, 20% between 60 and 100 miles, 45% between 25 and 60 miles, and 15% under 25 miles.

By mid-1963, these vehicles and the remaining rail traffic were servicing a network of 550 livestock markets[4] throughout England (in the UK as a whole there were 939, of which 677 were in England and Wales and 856 in Great Britain). Of the total number of markets in the UK, 569 were approved as 'certification centres' for administering the Fatstock Guarantee Scheme (of which 385 were in England and 73 in Wales).

Through the UK markets that existed at this time, the liveweight method of selling accounted for 70% of the 2.5 million cattle produced, 64% of the

3 *An interesting point made by more than one of the auctioneers interviewed during a 2010 study of auction markets that it was not until fairly recently that the quality of diesel engines in agricultural transport vehicles such as Land Rovers (ie particularly the level of noise and vibration), made farmers willing to drive their livestock over distances of more than 20 to 30 miles and thus meant that they could practically choose between selling at a local market or one further away.*

4 *According to the Committee of Inquiry into Fatstock and Carcase Meat Marketing and Distribution 1964. HMSO Cmnd 2282, this figure also includes what are defined as small fairs.*

11.8 million sheep and 21% of the 12 million pigs, sold to meet the requirements of this subsidy scheme (or the equivalent of finished/prime stock production/slaughtering).

From 1963 onwards, the movement of livestock by road transport both to livestock markets and from them, was in the ascendant. The development of the motorway network that began to be well established in the 1970s was better suited to use by the larger articulated livestock transporters and meant that road transport began to offer large scale movement economies previously provided by railways.

However, as the meat and livestock industry, which the livestock auction market sector served, began to change as a result of economic, social and agricultural policy developments during the country's recovery from post-war austerity, the number of livestock auction markets began to steadily decline. Better road transport contributed to the reduction in the number of the small local markets that still existed in many towns. In time, this resulted in the development of the larger livestock agri-business centres, many located near or with easy access to trunk road networks. Such markets are today an increasingly common feature in the livestock market sector.

2.3 Additional forces for change

Arguably bigger forces than changes in the transport logistics were in play. In 1963 there were 2,326 abattoirs in England and 2,681 in Great Britain (source: see footnote 5), most serving local butchers, many of who would procure livestock from the local livestock markets. The traditional and multiple butchers (such as Dewhurst, a well known national chain of butchers shops) at this time accounted for an estimated 97 per cent of total retail sales of meat. Of the total amount of beef produced and imported, over 15 per cent was traded through London's Smithfield market.[5]

However, in less than 30 years, major changes had greatly affected the structure of the meat and livestock industry and many of the forces driving these changes are still in play today. With membership of the European Union and the introduction of the Common Agricultural Policy, livestock farmers had further incentives to increase production, although the livestock market's role in the subsidy schemes that it previously had under the old Fatstock Guarantee scheme (that operated prior to the UK's membership of the EU) disappeared.

5 *It is interesting to note that the old cattle market at Smithfield was moved to Islington's Copenhagen Fields in 1855. The Central Meat Market at the old live market site opened in 1868. The Metropolitan Cattle Market at Islington, near the Caledonian road, was quickly a success and by 1864 was selling 210,755 cattle and 1,518,510 sheep. Even by 1925, when the meat market had changed considerably, the total number of animals sent to the market was 111,591. It continued to function until 1939 when it was closed because of the wartime conditions and never re-opened as a livestock market, but functioned as an antique market known as the Caledonian Market.*

By 1990 the number of prime cattle produced in the UK had increased to 2.8 million and total cattle slaughtering to 3.5 million. Lamb slaughtering had risen to 18.1 million with total sheep slaughtering at 20 million, while clean pig slaughtering had increased to 13.9 million and total pig slaughtering were 14.2 million. At the same time, the number of abattoirs in England had fallen to 660 (779 in Great Britain).

While there were still more than 15,000 traditional local and multiple butcher's shops in Great Britain, their market share had been hugely eroded by the growth of the supermarkets. By 1990, the supermarkets accounted for about 41 per cent of retail sales of beef and veal, 38 per cent of mutton and lamb and 44 per cent of pork. However, the major development of out-of-town superstores was still at this time in its infancy and even more rapid growth in their market share was still to come.

Although in 1990 there was still a relatively large number of abattoirs, many were very small and only a small number of the larger ones, that increasingly also cut and packed meat into retail portions, were supplying the supermarkets. However, it was these plants that had driven the growth of the deadweight supply chain, whereby livestock are purchased from the producer by the abattoir at a price determined by the physical characteristics of each animal measured at the time of slaughter (eg sex, weight, fat cover and carcase conformation). This method of sale was gradually taking market share of finished cattle and pig sales in particular from the livestock markets.

By 1990 there were, according to the LAA, 259 livestock markets operating in England and Wales (compared to 677 in 1963). On a Great Britain basis, live markets were estimated to account for 57 per cent of total sales of finished cattle, but only eight per cent of pig sales. Their share of sheep sales had however increased, and in Great Britain in 1990 more than 72 per cent of sheep for slaughter were sold liveweight. One of the reasons for his was the growth in the live export trade to Europe.

This rationalisation in the number of markets had also been accompanied by significant investment as illustrated by the development of the 'agri-business centre' (with one of the first built to accommodate the relocated York market in 1971). A number of markets also benefited over this period from access to capital grants from various European Community (EC) sources, which enabled them to improve existing and build new facilities.

These trends, influenced by other major factors (eg disease, particularly the Foot and Mouth crisis in 2001), have continued up to the present day, but the livestock market still remains an important part of the structure of farming throughout Great Britain. The continued gradual rationalisation in the sector has seen a steady decline in the number of markets but also major investment for the future in others.

A report published in 2010[6] identified 80 livestock markets as being in regular operation in England (with an additional further four smaller markets that had been in regular use, two of which now operated only as collection centres and two undertook periodic specialist sales). Of those in regular use, in England at that time, 74 were AHDB/MI price reporting centres.

Today, there are a total of 85 market sites operational in England and Wales, of which 71 markets regularly report prices as defined above, (plus 26 in Wales and 18 in Scotland) and these are looked at in detail together with their structural and geographic distribution in Section 5. In addition, other places also exist where markets and fairs are held to accommodate large sales of breeding livestock, such as the large seasonal sales of breeding stock that used to be held yearly at Bicester, but is now located at the Thame show ground in Oxfordshire.

While the share of the liveweight sales of finished cattle has steadily declined in the face of increasing deadweight sales, there has been some resurgence in the sale of sheep through live markets, since such trade was almost wiped out in the aftermath of the Foot and Mouth Disease (FMD) crisis in 2001. Markets also benefited from the lifting of the ban on selling cull cattle for human consumption (which came about as a result of the Bovine Spongiform Encephalopathy (BSE) crisis and lasted more than 10 years), when the sale of such cattle in markets resumed. Although today there are new disease challenges such as Bovine Tuberculosis (TB) that have affected the operation of livestock markets.

The role of auction markets for the selling of pigs has diminished further to less than 1% of finished pigs. The pig production industry has consolidated into a relatively small number of large units, most supplying pigs directly to an even more concentrated group of specialist pig abattoir processors on a contractual basis.

Similar to pigs, most poultry produced in the country is consigned direct to the large processing plants operated by a very small number of companies, through what is, in many cases, a vertically integrated supply chain. However, some auctions do still hold specialist small animal or fur and feather sales, some seasonally, that are used particularly by small holders/farmers to sell breeding stock and seasonally finished specialist birds, such as turkeys, guinea fowl and quail.

In addition to their continued role in the sale of livestock for slaughter, livestock markets also remain very important for the farmer-to-farmer trading of store and breeding animals. While various other forms of sales for store and breeding livestock (eg using computer and video technology) have been tried they have not proved as popular thus far, with buyers still wanting to see first-hand the stock that they are considering purchasing. Many livestock

6 *Livestock Markets in the 21st Century. MLCSL December 2010.*

markets trialled such systems during the immediate aftermath of FMD in 2001/2002, but very soon after the livestock markets were re-opened the support for this system diminished to the extent that it soon became unviable.

However, with the rapid development of IT equipment and its ownership by livestock producers and buyers, coupled with a steady development in IT networks with faster line speeds plus a growth of IT literacy, the threat to traditional livestock markets from online market places may once again increase.

Such internet-based activity has begun to link some of the more sophisticated livestock breeders and finishers together in new ways, particularly pedigree breeders, but it has, so far, still not made the inroads into the wider commercial livestock production systems that some perhaps expected/predicted. Several livestock markets now stream their sales on the internet allowing those farmers who cannot attend a sale in person to view the sale as it is conducted.

Many livestock farmers still do not have the time, or sometimes the necessary skills, to use or make best use of internet based systems and the broadband connections in many rural areas of the country are still poor.

As long as farmers and buyers wish to see the live animal before they make a purchase, the live market system in England provides a tried and tested way of assembling livestock for sale and arriving at a price in an open and transparent way on which the trade can be made.

Livestock markets generally still have a range of buyers for finished stock from small butcher's shops through to wholesalers, main multiples, halal and export buyers. The range of stock offered for sale allows those buyers to fill orders with stock they deem suitable for the particular end use.

3. The operation of livestock markets and liveweight prices

Livestock auction markets and the liveweight marketing system operate in ways that can be of great benefit the seller and the buyer but it is not immune to problems and issues that can arise, not least for individual auction market companies.

3.1 The method of sale

The price of livestock is usually stated in one of two ways in livestock auction markets. Firstly, breeding and store stock are most often referred to on a headage basis, thus the total price in pounds will be given for each animal. Cull ewes are also generally sold on a headage basis. This is also the case for many prime lamb sales.

Secondly, finished cattle sold for slaughter on a liveweight basis are usually recorded as pence per kilo liveweight, with a small number of finished lamb markets also selling in pence per kilo liveweight.

Livestock procured by abattoirs direct from farm is generally purchased on a pence per kilo deadweight (ie carcase weight) basis.

In some instances, livestock are still sold by an auctioneer in guineas but nowadays this is confined largely to sales of pedigree breeding stock. This old English currency was originally worth 21 shillings and has been adopted by some auctioneers for its traditional values. A guinea is the equivalent to £1.05 for the purposes of conversion.

Finished cattle are invariably sold individually. Store cattle and followers tend to be sold more in small, evenly matched groups in the ring, as illustrated in Figure 3. The range of information that is stated verbally and/or on electronic screens has developed over time and will continue to do so, but it currently provides enough information, together with the visual appraisal in the ring, for a buyer to assess the animals on weight, age, breed, finish, conformation, condition and any special attributes, such as farm assurance status and any relevant health status.

Figure 3. Store cattle being sold in a small group though a ring

For sheep and pigs, except in the North of England where selling through the ring is more common, the auctioneer will normally sell them as batches in pens, moving from pen to pen with the buyers, as illustrated in Figure 4.

Figure 4. Sheep being sold in small lots in pens

For finished lambs, where possible, buyers prefer sale lots to contain animals of a similar type/quality. In some markets, staff will sort the animals as they are delivered to achieve this (with a small number using independent sorting staff such as provided by the Meat and Livestock Commercial Services Ltd - MLCSL). However, some vendors prefer to sort their own lambs into lots.

The method of sale remains as it was a 150 years ago, with the auctioneer taking bids from buyers in what is technically an open outcry rising price system, with the trade concluded when a price is reached above which no other buyers are willing to bid. This is the price that the sellers will usually accept as defining the terms of trade, particularly for finished livestock, although sellers may have an un-stated reserve price, particularly for high quality store and breeding livestock, which if not met will allow them to remove the livestock from sale.

Auction markets use their sales teams and field staff to encourage sales through the market. Increasingly markets offer a complete livestock marketing service to their customers that is not reliant on the expectation that a producer will bring livestock to the market at a certain time of the year because that is what they have always done.

A well-managed auction starts for the auctioneers many weeks before the market. In the past, this was particularly true for the specialist seasonal store and breeding stock sales, where it is required that a catalogue is produced to advertise the sale. But today it is more and more the case with the more regular store sales.

A successful auctioneer will have a sound knowledge of the livestock that are finishing on the clients' farms and will increasingly advise them on many issues directly related to livestock production and marketing (eg required finish of livestock, market demand, tagging requirements, movement regulations, transport) as well as more indirect issues such as the existing Basic Payment Scheme.

Many of the auction market companies will today also organise deadweight sales on behalf of clients. The involvement with such ranging from ad-hoc arrangements for clients tied up with TB, or the use of the market as a collection centre on non-liveweight sale days, to offering a complete service liaising with the buyers and the sellers.

3.2 Livestock sellers

All markets principally draw customers from the surrounding local area, however, the size of this catchment area varies from market to market. It will depend on the size of the market, as represented by the normal levels of throughput on regular market days and/or by the expected throughput on periodic/seasonal/special sale days, the quality/efficiency of the road network that connects it and the local topography.[7]

For many markets a radius of 25 to 40 miles represents a typical distance which many of their sellers will travel (longer or shorter depending on road communications and topography), except for special sales when sellers could come from a much larger distance. There is a group of markets however, which at certain times of the year are increasingly competing with each other on a cross-regional basis, particularly as regards the larger cattle and sheep markets.

In many markets the producer is still present when the animals are sold, but it is becoming more common for sellers to bring the livestock to the market and unload them, leaving and then returning later to see the result of the sale. In some markets, producers leave the entire process to the auctioneer and do not accompany their animals to the market at all.

The occasions where producers will take livestock away because they did not meet an expected reserve price, are becoming fewer. This is mainly due to markets providing an overall better service to the sellers than was the case 10 or 20 years ago. In addition, the operation of the six-day rule, which was implemented post the 2001 FMD outbreak, makes taking stock home a less favourable option due to the movement implications imposed on the producer's holding.

***7** It is interesting to note from comments made by auctioneers, that as in the days when animals had to be driven to the market and a geographic feature that made a journey less straightforward resulted in sellers going to one market over another (eg on the other side of the hill), the perception of that feature can still be a factor, even if it today only means the difference of a relatively short period of time.*

A successful market is one that will attract large numbers of buyers and sellers who will provide what is often described as a 'buzz' of activity and a dialogue and exchanges of views, news and ideas among those present.

This contributes to the 'holistic market' experience, particularly if producers get good prices and buyers can source the type and number of livestock they want.

For many, the social dimension of attending a livestock auction market is also still a very good way of networking with others and updating their knowledge about what has become a fast changing and for many farmers, because of a reduction in the labour force on farms, an increasingly lonely industry.

3.3 The livestock buyers

While all markets draw customers wishing to use the market to buy livestock from the surrounding local area, there are also increasingly customers who will travel from much further afield. For livestock farmers wishing to purchase store and breeding livestock, this will especially be the case for the larger seasonal/periodic/special sales.

For buyers of finished livestock, the rationalisation that has occurred in the abattoir sector in recent years, combined with an increasing tendency of the larger plants to supply dedicated outlets, means plants need regular supplies of particular qualities of livestock (as discussed in more detail in the next section). This means that either their buyers will regularly come from much greater distances, to the larger markets in particular, or their representatives may themselves be local but will be buying livestock for a number of customers on a regional or even a national basis.

3.4 Prices and market fees

In theory, the prices that livestock can command will be dependent on the economic market forces of supply and demand, although at times other less obvious factors can affect the operation of these fundamental forces (eg as happened when some of the previous direct subsidy schemes were in place – see footnote[8]).

For finished cattle and sheep sales, the transparency of price formation within the alternative deadweight selling process is still not as clear to many as it could be. The open outcry system of price formation used in livestock markets seems much clearer for many, even though in reality there may be a restricted number of buyers, with some agents buying on more than one account.

8 *For example, when there was a direct subsidy based on a headage payment system for beef cattle and sheep this sometimes caused the values of stock to be artificially high. Although this could never be directly seen, it was apparent that many transactions of breeding and store stock were taking place at certain times and at certain prices purely for the ability to claim livestock headage payments.*

The impact of the development of deadweight selling will be discussed in some more detail later. However, it is interesting to note that a great deal of interest about the latest average weekly liveweight prices still comes from deadweight purchasers setting price schedules for the following week.

Livestock markets work on a commission basis for selling livestock. Typically, for finished stock, this is between 2% and 4.5% and, in some markets, subject to a minimum fee. A few markets will also make additional charges to cover local authority toll charges, lorry wash costs, or an insurance fee to cover animal injuries or abattoir condemnations.

There has also been a tendency over the years for abattoir buyers to try to force additional costs back onto the farmer. For example, most markets will deduct Ante-Mortem Inspection charges (AMI), whilst others still charge a fee for the removal of some specified risk materials, a practice that was forced on markets initially following the problems with BSE.

Other older practices also survive, such as the giving of 'luck' money (see footnote[9]).

3.5 Payment

The livestock auction company sells livestock on behalf of the producer and collects the money from the buyer. In the past, most livestock producers selling stock expected payment from the auctioneers on the day of the sale, whereas most finished livestock buyers would pay the auctioneers at a later agreed date. Thus the auction market bore the risk of bad debt from the buyer,[10] as well as the interest on any outstanding accounts.

Although it is becoming more common for producers to be paid by cheque or bank transfer within a week of the sale, there are still some markets that pay farmers on the day of sale. This practice when combined with the extended credit facilities given to some customers regularly buying livestock, can cause serious cash flow problems unless it is properly managed. Tracking the extent and exposure to indebtedness is crucial for the successful operation of auction markets and a great deal of their investment is in computer-based back office systems, such as those offered by Newline ASP, TGL Software Ltd, Infoscience Ltd and Gavellog that help track such debt.

9 A traditional practice that still survives in some parts of the country, is in the practice of the giving of 'luck money', whereby the vendor of the livestock rewards the buyer of that stock with a token sum of money.
10 It seems that this was ever the case for the meat trade. Records from Old Smithfield market show that cash sales for livestock were few and all butchers took them on credit, arranging to pay at a stated inn immediately adjacent to the market three weeks later, the carcases having then been sold. There were a great many inns, of varying repute – see 'The Drovers' referred to earlier.

Today, the majority of livestock auction markets selling slaughter stock take out bad debt insurance, as unfortunately many have a history of bad debt that has affected their development and many have customers from certain sections of the livestock trade with whom they are wary of dealing.

Many farmers still prefer selling through the livestock market system rather than direct to abattoirs because of the fear of bad debt, the desire to know the final sale price before agreeing to the sale, the range of buyers available to them, or to avoid problems with cash flow caused by slow payment.

3.6 Weak and strong livestock prices

The auctioneer's income is influenced not only by the throughput of stock, but also by the sale price of livestock, because a sales commission is taken as a proportion of the total value of the animal. This meant that from 1996 up to 2007 when livestock prices were relatively weak, auctioneers' margins were also very poor, but as livestock prices increased in recent years, margins are reported to have improved.

Up until 2006/07, cattle and sheep prices had been weak from the beginning of the BSE crisis in 1996 and the terms of trade crisis in the late 1990s (referred to earlier), as shown in Table 1.

The low prices for finished/slaughter stock over the period from 1996 to 2006 increased pressures on livestock markets and made it more difficult for them to operate as viable businesses that generated a large percentage of their income from slaughter stock sales. Improved prices seen until 2015 to an extent alleviated this problem. Livestock prices remain volatile and subject to complex market forces.

Table 1: GB slaughter livestock prices for cattle and sheep – 1995 to 2016

Livestock Prices Average Pence per Kilogram (rounded to nearest pence)	All Steers Liveweight	All Steers Deadweight	Lamb SQQ Deadweight *	Lamb SQQ Liveweight
1995	124	225	Ni	111
1996	107	193	Ni	133
1997	97	179	Ni	121
1998	86	162	Ni	90
1999	94	175	Ni	84
2000	91	171	Ni	87
2001	FMD	166	Ni	FMD
2002	92	171	235	107
2003	95	176	264	120
2004	102	188	262	118
2005	103	189	246	112
2006	111	204	256	114
2007	112	208	236	104
2008	144	261	298	129
2009	155	281	350	158
2010	148	271	383	173
2011	169	309	423	193
2012	190	345	401	183
2013	207	389	414	183
2014	183	351	413	187
2015	187	348	376	170
2016	180	336	406	181

Ni–No information
FMD–Foot and mouth disease
Source: AHDB/LAA/IAAS
**deadweight sheep prices have been and are currently only derived from a small number of abattoirs and are less comparable with liveweight prices in the short term than is the case with cattle prices, although in the longer term they reflect the overall trends in the market.*

3.7 Other sources of income

Over the period when the prices for finished livestock were weak, the income obtained from the sales of store and breeding stock became more important and remains so today.

Many livestock market auctioneers have also kept solvent by effectively subsidising the livestock sales business of their companies with income derived from their associated chartered surveyors and property agency businesses. In many cases, the market acted as an agricultural network, vectoring in the demands for other professional services from clients. This is reflected in the wider business activity of many of the auctioneers who today operate livestock markets.

The structural location of livestock markets as the centre of a local agricultural network puts many of their operators in a prime position to initiate many other business activities.

Many markets also supplement their livestock sale revenue by holding non-livestock based sales activities on the market site, such as car boot sales, antiques fairs, fine arts sales, machinery and vehicle sales, farmers markets and stall markets. These are occasionally held on the same day as the main livestock sales, although mostly on other days.

Where their facilities are on larger out-of-town centre agri-business sites, additional revenue is also generated from rents from franchises on the site, which, as well as cafes, and agricultural merchants and the providers of professional services to the agricultural sector, can include businesses as diverse as hairdressers and model shops, as well as from the hire of halls and meeting rooms.

An increasing number of markets also hold more agricultural-based lifestyle sales, aimed more specifically at the part-time and hobby farmers who have populated increasing sections of the rural community in recent years. These sales have, for some markets, brought back the sales of small numbers of pigs, as well as the rare breeds of animals often favoured by such producers

3.8 Costs

In 1985, the then Meat & Livestock Commission (MLC) carried out a survey of British livestock markets, which included a costing benchmark based on results from 29 markets out of a total number operational in Great Britain at that time of 311.

This showed that the principle cost of running a market at this time was made up of salaries and wages, including auctioneers, permanent and casual market staff, administrative staff, cleaners and fieldsmen, which accounted for 44% of total costs.

Of all the other costs, none individually made up more than 6% of the total. Of these, the principle ones, excluding depreciation, were in order of importance – bank charges and other financial costs, rent, rates and advertising.

Although this work has not been repeated in this detail since, project work by AHDB/MLCSL with individual markets has shown that by and large, this remains a fair reflection of the cost situation facing most markets today. The exception to this is, as with all businesses, energy and water costs have increased as a proportion of total costs, while for many markets the costs (both operational and capital) involved with the treatment, removal and disposal of effluent and other waste materials have become much more significant, particularly in markets which are limited in being able to recycle water and rely on huge volumes of mains water to comply with biosecurity requirements.

One important factor to consider going forward is the increase in business rates from 1 April 2017. It is believed rates can vary between 7–19% of gross commissions, with the newer/larger markets being at the top end of this scale and the smallest/seasonal markets being at the bottom.

Improving welfare, quality and compliance in markets, while extremely important, is not without cost considerations.

3.9 Profitability

When the main source of income for many markets is the commission they receive on livestock sales, which in turn is heavily dependent on livestock price, the long period of relatively weak livestock prices from 1996 to 2007 seriously affected their profitability. This was because this period of weak prices was accompanied by steady inflation in the cost of most inputs required in running a livestock market. This resulted in a classic cost-price squeeze.

The increasing costs and the decline in profitability that occurred over this period have been commented on by a number of independent studies[11] and was undoubtedly a major reason for the closure of many of the smaller markets in particular (as identified in Section 6).

These economic pressures were also exacerbated by a number of significant factors other than the steady decline in livestock numbers. These factors are now considered in some more detail in the following section, as many of them have an implications for the sustainability of livestock markets.

Despite the significant decline in national livestock numbers, in more recent years increases in the throughputs of some types of livestock, together with higher prices resulting in higher commissions, have meant that the turnover per market for many markets in England has been higher than for some time.

***11** See the work done by JVH Jones eg 'The economic pressures for change being felt by the livestock auction markets' Proceedings of RICS Roots 1997 Reading conference; and more recently 'Time to take stock? - A review of prospects for livestock auction markets'. RICS Roots 2008 Oxford conference.*

4. Factors affecting the development of livestock auction markets

4.1 The key factors

The continued gradual decline in the number of livestock auction markets (seen in the reduction from the estimated 259 operating regularly as sellers of finished livestock and price reporting to MLC in England and Wales in 1990, to the 97 price reporting to AHDB in 2017, referred to in Section 2), has occurred for a combination of reasons, the major ones being:

- Developments in livestock production
- Disease - the impact of livestock disease, in particular the FMD in the previous decade
- Increase in competition from the deadweight sale of finished livestock
- The influence of the Over Thirty Months Slaughter (OTMS) Scheme
- The requirements to control the bovine TB crisis in the cattle industry
- The effect on livestock markets of falling abattoir numbers
- Environmental policy issues
- Developments in technology
- Land/planning pressures
- The compliance pressures

4.2 Developments in livestock production in the UK since the early 1990s

Any changes in the factors that encourage or discourage farmers from keeping such livestock will clearly have an effect on the future role of livestock auction markets and the past two and a half decades have seen major changes in key areas of agriculture policy and terms of trade that have affected both livestock production and numbers.

Changes in agricultural policy

Since the beginning of the 1990s, a succession of major changes to the Common Agricultural Policy (CAP) have been introduced which have affected the development of agriculture in the UK. The introduction of the Single Market from January 1993 necessitated the replacement of the variable premium support systems in the cattle and sheep sectors and the abolition of the monetary compensatory amounts (MCA) system, which acted to offset currency movements through a system of taxes and subsidies on traded meat and livestock.

Additionally, the introduction of headage limits for eligibility of subsidies on cattle and sheep effectively capped the expansion of herds and flocks that had been occurring since the late 1970s. This was reinforced in the cattle sector by the close ties it has with the dairy sector, from which a large proportion of clean cattle slaughtered in the UK are derived, as well as cull cows, where the effect of the dairy quota system significantly affected its development.

January 2005 saw the commencement of the most radical overhaul of the EU's farm support system under the CAP. The underlying principle of the new CAP approach revolved around the decoupling of farm support measures. Previously the CAP delivered financial assistance to farmers based on their production levels, hence support was coupled to production.

The 2005 reform broke this link and, in theory, all future support payments were to be based on environmental and biodiversity objectives rather than commodity output. Farmers could also gain other methods of financial reward by signing up to various agri-environmental stewardship schemes that demand standards over and above cross compliance to be met.

A new agreement on CAP reform was reached in 2013 for the 2014–2020 period and continues on a similar path with a more land-based rather than product approach. It is widely recognised that in the future, EU farm commodities will be exposed to the world markets more so than ever before. Even though the latest round of multilateral negotiations under the World Trade Organisation had stalled and only produced agreement on the 'modalities' around which future negotiations should proceed, it is largely anticipated that the EU market would continue to become more open to imports from Third Countries.

However, the international economic downturn from 2008, led to a decline in international trade and an increase in EU commodity prices, in particular for livestock and meat from 2007. This in turn improved what were, at the time, looking like more dismal prospects for EU and UK livestock farmers, although political events such as the problems with Russia and the Middle East have destabilised many EU meat markets particularly for pigmeat and poultry, but also beef.

Recent years have seen the EU concentrating on negotiating unilateral trade deals such as that concluded with Canada in 2016, and also in helping the industry to take advantage of the explosion in demand from the Chinese market, which in some sectors such as pig meat has helped mitigate the problems with Russia. Unfortunately for the UK the history of livestock disease issues, especially with cattle and sheep, has complicated and delayed matters with China, but intense negotiations raise hopes that this will be resolved in the next few years.

In 2016 the international political world has changed another gear with the UK Brexit vote, whose impact will not become clear for a number of years except for the effect of the relative crash in sterling versus other currencies seen from summer 2016, which is already reported to be triggering a boost in export demand.

The likely effects on future livestock production as a result of CAP reforms and what happens after Brexit are still proving very difficult to predict. As a result, it is thought that many livestock producers have been very cautious and are tending to take a wait and see approach, first over the issue of decoupling and its effect on their businesses and now with the Brexit uncertainty before making any major changes to their stocking and cropping plans.

At the moment the level at which farm subsidy derived via the CAP is invested to improve business efficiency as opposed to an income stream, will also determine the future economic prosperity of livestock production, as will the question of what will replace it after 2019.

Terms of trade

The sheep and pig sectors, which had developed large export markets, were, shortly after the cattle industry was suffering from the effects of BSE, themselves severely affected by terms of trade issues that began in 1999.

In the absence of subsidies, poor profitability had been a serious problem in the British pig sector and in the 10 years from 1995 to 2005, the number of holdings with breeding sows fell by 33 per cent and the number of holdings with total pigs fell by 11 per cent. The pig herd began a serious decline from 1999 onwards, when there were more than 700,000 breeding sows in the UK. This fell to 421,000 by 2008 but began to show slight recovery from 2009 before falling again in 2015.

The relative collapse in the value of sterling since mid-2016 and its effect on imports and exports, continues to illustrate the impact that such terms of trade can have on industries that depend on international trade. Depending on the Brexit model that the country adopts this will in the future be exacerbated to a greater or lesser extent.

Stabilisation in livestock numbers

As a result of all of these forces and uncertainties, there has been a gradual decline in livestock numbers for most of the 2000’s, before they levelled off in recent years. As a result, the potential numbers of livestock that may be offered for sale through livestock markets following years of decline also stabilised in recent years.

Table 2 shows how livestock numbers decreased overall between 2000 and 2015, but from 2009 the reduction levelled off. What is surprising is the significant increases in cattle and sheep prices seen from 2008 and 2009 (described in more detail in the following section) did not trigger a supply response such as that which such price changes would have done at any time up to the late 1990s and early 2000s. From mid-2015 cattle and sheep prices fell, an important factor being the impact of the more difficult trading conditions on the world markets and the relative increased strength of sterling against other currencies, which remained until effected by the uncertainty caused by the Brexit vote.

Table 2: UK total livestock numbers:

'000 head	2000	2002	2006	2009	2015	2016	% Change 2000/16	% Change 2009/16
Total cattle and calves	11,135	10,345	10,644	10,082	9,919	10,033	-9.9	-0.5
Total sheep and lambs	42,264	35,834	34,722	31,445	33,337	33,943	-19.7	+9.0
Total pigs	6,482	5,588	4,933	4,540	4,739	4,866	-24.9	+7.2

Source: Defra June Census

The above figures for the sheep flock (and those in Table 3) are somewhat misleading however, as by far the largest reduction in sheep numbers was caused by the FMD crisis in 2001. Sheep numbers have since stabilised but at a lower level than before the crisis, although they have shown a small annual increase since 2009.

Overall, the declining trend in livestock numbers is generally expected to stabilise in the immediate future, but the forces for change are affecting different parts of the livestock production sector in different ways.

The cattle and sheep sectors in GB are typified by a large number of producers. Many are either micro enterprises or small to medium enterprises (SMEs) and while concentration in the sector has changed due to modifications in the subsidy structure (ie CAP reform, with direct subsidies giving way to the Single Payment from 2005 and then the Basic Farm Payment), consolidation has been limited.

In the cattle sector the auction markets have seen a growth in the importance of specialist beef finishers, shown in more steady demand for volumes of store cattle from a smaller number of larger buyers.

At the same time, many smaller/medium sized cattle producers are moving away from trying to finish prime cattle towards producing and selling store cattle. The reason for this has been largely contributed to the reduction of risk by keeping the animal a shorter time and decreasing costs such as feed and over-wintering. Price volatility for finished stock is a risk, as seen in 2015.

Over the same period, the dairy sector, whose offspring make up approximately 50% of home produced beef and cull cows that make up a further 11%, experienced a steady population decrease. This is predominately as a result of the continued tight margins and low milk price being experienced by the sector at present. This has led to the increase in the average herd size as the drive for better economies of scale is realised.

Even before the removal of the dairy quota system there was overproduction of milk in both the UK and EU as a whole and this has continued with milk prices, as a result, remaining weak. In the UK, as in other parts of the EU, some dairy farmers have taken advantage of the EU Dairy Crisis scheme which subsidises the culling of dairy herds.

In the sheep sector, there has been a trend in the growth of larger flocks but also a reduction in the number of flocks in the hill and upland areas.

With the removal of direct subsidies in 2005, cattle and sheep enterprises in theory depended on profits generated in the market. However, the AHDB Beef & Lamb Stocktake Report showed that in 2015 the majority of average cattle and sheep enterprises made net losses.

Reducing costs of production is a clear priority for the industry and this is an area where AHDB Beef & Lamb targets its knowledge exchange work.

Table 3: UK breeding numbers:

'000 head	2000	2002	2006	2009	2015	2016	% Change 2009/16	% Change 2009/16
Breeding cows	4,178	3,884	3,708	3,471	3,472	3,493	-16.4	+0.6
Beef cows	n/a	n/a	1,745	1,633	1,576	1,596	n/a	-2.3
Dairy cows	n/a	n/a	1,963	1,838	1,895	1,897	n/a	+3.2%
Breeding sheep flock (ewes)	20,449	17,630	16,637	14,636	16,024	16,304	-20.3	11.4
Breeding pig herd (females)	610	558	468	426	408	415	-32.0	-2.7

Source: Defra June Census

For a time in the early/mid 2000s, it seemed that many beef and lamb producers were being driven in one of two directions. The first was the commodity-based approach, relying on efficiency and economies of scale that help to withstand the increasing exposure to international markets. The second approach appeared to be the niche or specialist market type of production that sometimes involved the actual production and selling of the meat. These latter types of enterprises are often on a smaller scale than those of the commodity-based enterprises. The niche producers' hope is that they can tap into higher-value sectors of the marketplace, which can return significant premiums over commodity goods.

However, the significant increase in cattle and sheep prices seen from 2008 to 2015, has meant that it has become more and more difficult for such niche producers to derive additional premiums over what is seen as an already expensive product compared with other proteins such as poultry or pig meat products.

4.3 Disease - the impact of the Foot and Mouth Disease crisis (FMD)

After relatively good economic times in the 1980s and early 1990s, with subsidised production (for cattle and sheep), good demand in the domestic market and a growing export market, the UK cattle sector was the first to experience major livestock disease problems, being severely affected by the BSE crisis from 1996.

The 2001 FMD crisis was a major blow to the livestock production industry in general, but to livestock auction markets in particular. For almost 13 months livestock markets were closed, due to various bans on the transportation of livestock to combat the disease. During this period, livestock for slaughter could only be moved through a direct supply chain to abattoirs, although some markets established slaughter-only collection centres which operated under stringent conditions.

One of the lasting effects of this crisis was the introduction of the Disease Control Order (England) 2003 as amended (with similar in other parts of the UK). This Order states animal movements must not take place from any premises where one or more animals have been moved onto those premises in the six-day period (or 20 days for any pigs on a holding onto which pigs have been moved) prior to the movement (with some exemptions).

Many auctioneers feel that this requirement has effectively stopped part of the activity of many livestock dealers, some of whom in past times operated a type of arbitrage trade between markets, taking advantage of local knowledge and differences in changing prices between markets. In addition, the compliance with the requirements of the Animal Gathering Order (see

Appendix 1) were generally tightened up after 2001, which had a major impact on and was a major factor contributing to the closure of many of the older smaller markets that needed investment to meet these standards.

It was expected by some that the effect of the FMD crisis would see the end of many livestock auction markets, if not the system of the liveweight marketing of finished livestock as a whole. This was because deadweight buyers effectively had a period with no competition.

Outbreaks of FMD in August 2007 meant that markets were once again forced to close for a short period, which unfortunately also coincided with the peak marketing season of the year. Shortly after, the imposition of restrictions for Bluetongue, a midge-carried viral disease which had slowly moved up through Europe into the UK, meant that the markets could remain open, but for a time their trade was severely hampered. This was because of restrictions on movements of cattle and sheep in or out of the respective restriction zones, or even into the clear area, which were expanded to cover the whole of England, Wales and Scotland on 3 November 2008, but have subsequently been lifted.

New problems have been caused by the spread of TB in cattle herds. Even the poultry sector has not escaped unscathed, as a result of the various Avian Influenza outbreaks.

As a result of these issues there is a continuing need to invest in and develop the market sector to ensure that existing facilities and operations are in a good working condition, particularly in relation to livestock handling and animal welfare, but also biosecurity. New markets have to be built to ever higher standards, while there are site-specific problems for some older markets, eg it may be necessary to have certain penning covered, paved areas need to be in good condition to enable them to be sanitised and old penning will need to be replaced.

4.4 Increases in deadweight selling

Livestock sold on a deadweight basis are generally sold directly to the buyers at the main abattoirs, or through their field representatives, who are sometimes agents acting on behalf of a number of clients (and even dealing in their own right), or through livestock procurement groups often owned and run by farmers, thereby bypassing livestock markets altogether.

In the sixteen years since the 2001 FMD crisis, livestock markets and the system of liveweight marketing have, however, proven much more resilient for the sale of cattle and sheep than many expected. The latest information on the national share of primary livestock marketing is shown in Table 4.

Table 4. Estimated share of primary livestock marketings – 2000 to 2016 GB slaughtering analysed by marketing type (estimated)

%	Marketing Type	2000	2006	2009	2015	2016
All cattle	Liveweight	39.4	23.2	24.4	18.1	16.3
	Deadweight	60.6	76.8	75.6	81.9	83.7
Prime cattle	Liveweight	39.4	23.6	20.7	13.3	12.4
	Deadweight	60.6	76.4	79.3	86.7	87.6
Cows/bulls	Liveweight	na	24.8	42.1	35.8	30.5
	Deadweight	na	75.2	57.9	64.2	69.5
Total sheep	Liveweight	56.2	45.3	57.1	55.7	56.5
	Deadweight	43.8	54.7	42.9	44.3	43.5
Clean pigs	Liveweight	na	0.7	0.5	0.5	0.5
	Deadweight	na	99.3	99.5	99.5	99.5

Source: AHDB/LAA/IAAS/Defra

Finished cattle numbers sold through market, although declining, have not fallen by as much as many expected since the 2001 FMD crisis. Liveweight sheep sales recovered relatively quickly to return to a level similar to that in the year prior to the FMD crisis and have, over recent years, maintained a steady split between liveweight and deadweight marketing channels. LAA data suggests auction markets sell a significant proportion of cull ewes and they have also re-captured a large share of the market for cull cows since the ban was removed in 2006.

Total GB slaughterings of livestock for comparable years, of which the figures in Table 4 are percentages, are shown in Table 5.

Table 5. Total GB slaughterings of cattle, sheep and pigs:

'000 head	2000	2006	2009	2015	2016
All cattle (inc calves)	2,020	2,210	2,059	2,236	2,351
Prime cattle	1,870	1,844	1,620	1,614	1,657
Cows/bulls	1	315	397	528	577
Calves	149	51	42	95	117
Sheep	17,784	15,533	15,018	14,294	14,103
Clean sheep	15,347	13,306	12,895	12,721	12,421
Ewes/rams	2,436	2,227	2,122	1,573	1,683
Pigs	11,434	7,902	7,676	9,222	9,365

Source: Defra

Clearly any further pressure to increase the deadweight selling of finished stock is a major threat to the future sustainability and viability of livestock markets.

This pressure for an increase in direct/deadweight selling has come almost totally from the large supermarkets and the abattoirs that supply them, whose share of the retail red meat market has been steadily growing.

Table 6 is an analysis of the source of household purchases for the 52 weeks ended 1 January 2017, taken from continuous panel information subscribed to by AHDB. These figures show that for household purchases from retailers for red meat:

a) The dominance today of the large multiple supermarket companies, within all three species 13 major companies (including their internet-ordered home delivery services sales), plus a small number of other freezer store groups and regional supermarkets, such as Booth’s, accounting for almost 90% of retail sales.

b) The extent to which the share of traditional high street specialist butchers has declined, eg from percentage shares which were in the 20 to 25% range in the early 2000s.

c) The relatively small retail share of the remaining categories, the market stalls and all other outlets, which in the main make up the other local sector. This contains many of the local retailers, the farm shops and speciality retail outlets (other than traditional butchers) selling meat. Although the share of such outlets is small, it has grown from a very small base, with the number of outlets growing, therefore the regional influence may be greater than the sales share indicates.

Table 6. GB retail market shares of meat - 52 weeks to 01 January 2017

Beef	GB % Spend	GB % Volume
Total multiples*	89.2	91.3
Total butchers	7.5	6.2
Total independents	0.5	0.4
Market stalls**	0.6	0.4
All other outlets***	2.2	1.6
Total	**100**	**100**
Lamb		
Total multiples*	84.0	84.7
Total butchers	11.2	10.9
Total independents	1.5	1.5
Market stalls**	1.0	1.0
All Other outlets***	2.2	2.0
Total	**100**	**100**
Pork		
Total multiples*	87.9	88.4
Total butchers	8.4	8.3
Total independents	0.7	0.7
Market stalls**	0.8	0.8
All Other outlets***	2.2	1.8
Total	**100**	**100**

Notes:
** Multiples include, Tesco, Asda, Sainsbury, Morrisons, Co-operative, Iceland, Farm Foods (and other freezer centres), Waitrose, Ocado, Budgens, Lidl, Aldi, Marks and Spencer, plus other smaller regional supermarket chains (includes internet sale/delivered)*
*** Market stalls, include all types of 'market' outlet (including farmers markets)*
**** Includes farms shops, direct internet sale/box scheme (other than from main multiples), speciality shops etc*
Source: AHDB/Kantar Worldpanel

Some of the large supermarkets require their abattoir suppliers to source direct from farms, particularly for prime cattle, and some even put restrictions on the number of movements between farms that are allowed. The two main reasons often given for this position by supermarkets are typically to do with:

- Traceability – there is a growing demand for auditable systems of livestock production and processing that more clearly demonstrate the standards under which animals and meat are produced. It is argued that the deadweight system is better at facilitating this.
- Animal Welfare – it is argued that the experience of the livestock market – the loading and unloading, standing in pens with other unfamiliar animals – is seen by some people as distressing for the stock and can potentially have a negative impact on meat eating quality.

However, many observers are of the opinion that their position should really be seen within the context of their attitude to the supply of all other products, which is to shorten the supply chain, as it is believed that shorter, 'leaner' supply chains are more efficient, and more efficient chains produce better value for the consumer.

Some supermarkets and their main abattoir suppliers may continue to try to phase livestock markets out of the primary procurement chain for livestock, encouraging farmers to enter direct selling agreements with the abattoirs, unless they can be better persuaded of the need for them in the system. Markets need to respond to the pressures to improve supply chain efficiency by proactively demonstrating why they are needed.

Figure 5. Example of an EID race reader for sheep

As far as traceability is concerned, the requirements by markets under the British Cattle Movement Service (BCMS) database and the Animal Reporting and Movement Service (ARAMS) for cattle and sheep respectively, go a long way to answering previous critics. Many auction markets are investing in further improving data capture systems to offer additional services beyond the mandatory requirements for animal identification.

Such systems being investigated include ways in which details such as carcase classification and the CCIR[12] details of slaughtered animals can be obtained from livestock that has been sourced by abattoirs through the liveweight route, so that this information, together with any animal health issues such as the prevalence of liver fluke, can be communicated back to producers.

As regards animal welfare, all markets today have increased responsibilities in this area. In addition, it is a well-known fact within the industry that the direct deadweight route (ie from farm to abattoir) can in practice be anything but. The practice of multiple pick-ups of livestock from various farms to make up a load can significantly add to the transport mileage and the animal welfare issues.

In addition, in order to meet the need for efficient, cost-effective livestock transport, many animals that are sold deadweight to abattoirs are first transported to a collection or assembly point, where they are typically sorted and then loaded onto the larger livestock transporters. The difference between stock passing through a collection centre as opposed to being sold via a livestock auction has been questioned by auctioneers.

Such collection areas have to be licensed as assembly areas, some of which are at existing markets. As of November 2016, 29 were identified as being on a Defra Animal Health Approved list in England. However, it is believed there are more in operation, some of which operate under the radar of UK and EU legislation and regulation when acting as a collection point.

In order to facilitate the sale to supermarkets, which largely require livestock that have been produced and marketed through an approved assurance scheme such as Red Tractor (RT) Assurance, virtually all livestock markets in England are assured under the RT Market and Collection Centre scheme. Intelligence from RT Beef and Lamb (which operates the above scheme) indicates that many non-market assembly centres are, however, not approved under the RT scheme.

It is unfortunate and surprising given the more direct sale practices referred to above, that the RSPCA Freedom Foods assurance schemes do not approve of the use of livestock markets. Their standard for cattle and sheep T1.1 states that cattle and sheep – 'must not be presented for sale at livestock markets'.

The issue of the growth of deadweight selling and confidence about price transparency was alluded to in the previous section. Although as part of EU regulations, deadweight cattle prices based on classification results, using agreed dressing specifications, have to be reported by all abattoirs over a certain size, these are only what can be regarded as base prices. Similar to the quoted liveweight prices, what they mean for the true value of the animal can only be assessed after various deductions have been taken into account.

12 *Collection and Communication of Inspection Results (CCIR) – post mortem information collected by meat inspectors in abattoirs that is of relevance to livestock farmers to improve the health of their animals.*

For abattoirs, this can include, in addition to the statutory levy, deductions for veterinary and health inspection, deductions for classification, contributions to the cost of the removal of some specified risk materials, contributions to transport, animal insurance, and unspecified marketing charges common in Scottish abattoirs and reputed to be one of the reasons why the quoted base Scottish deadweight cattle prices are usually higher than the equivalent cattle in England. This is aside from any deductions that may be paid for stock falling out of desired specifications over and above carcase classification, such as age or weight. Conversely, stock may receive bonuses for meeting certain additional criteria.

The result is, that it is not as straightforward as it may seem to make a comparison between a quoted liveweight price and a quoted deadweight price may mean as regards the value of cattle, even if the factors used to convert between liveweight and deadweight were correct, unless there is perfect knowledge about the other deductions.

But at least for the liveweight price, the producer knows that the prices have been set in ways that are very transparent through the use of the open outcry at a large number of markets, whereas they are more uncertain as to how the deadweight cattle price has been arrived at by each deadweight purchaser. For sheep, the situation is even less transparent as price reporting to AHDB is only voluntary, with currently only a few abattoirs participating and no agreed standards on dressing specifications.[13]

4.5 The influence of the Over Thirty Months Scheme (OTMS)

For some livestock markets, the introduction of the OTMS following the 1996 BSE crisis ended the pre-1996 cull cow market business. The scheme replaced the live sale with dedicated cow collection centres and in doing so adjusted the income that markets gained from cull cattle sales.

A major change that the industry had to take in its stride in the late 2000s, was the lifting of the Over Thirty Months (OTM) ban, and cow meat returning to the food chain. This undoubtedly benefited the cattle sector and in particular saw an increase in the number of cattle (ie cows) being sold through livestock markets which remain an important link in the cull cow supply chain as the cow beef business re-established itself.

In addition, the end of the OTM ruling a short period before the lifting of the beef export ban helped begin the recovery of beef export markets.

13 *The problems that can be caused when prices and price formation are not as transparent as they could be, which is a problem for deadweight purchasing systems, can be seen in the ongoing heated debate that has been occurring between livestock producers in the USA and 'meat packers' for the last 20 years or so. As the market has become dominated by a small number of large meat packing companies, the lack of price transparency has resulted in many allegations of their anti-competitive behaviour. An article in the Economist 26 June 2010 describes the latest moves in this debate under the heading 'Slaughterhouse Rules'.*

4.6 The requirements to control the Bovine TB crisis in the cattle industry

Bovine TB restrictions can have a significant impact on a cattle producer's ability to trade stock freely. The LAA has been instrumental in negotiating with Defra and its agencies to enable the establishment of specific sales to ensure farms under restriction can trade their cattle through the open, competitive forum the livestock market provides.

The range of measures to enable this process led to the development of various categories of markets referred to as 'Orange', 'Red' and 'Exempt' markets.

Orange markets play an important role, whereby clear tested animals from TB restricted herds can be sold through an auction mart, under certain conditions. The cattle sold can only be bought out of these sales to go to specific destinations, Approved Finishing Units (AFUs) or directly to an abattoir for slaughter. Cattle presented for sale at these sales cannot return home, or leave the market to enter a breeding herd.

Red Markets, often referred to as Red Slaughter Markets, provide a platform for selling stock from a restricted herd to slaughter, subject to the specified licence conditions. Cattle can only be consigned to slaughter from such sales and livestock may not return to the holding of origin. These red markets can also be used by vendors that are on a six-day movement standstill restriction.

The term Green Market is used to describe the sale of stock that are not being presented under TB exemption rules. The onward destination of stock is not restricted to particular premises type and animals are subject to the usual six day standstill movement regulations.

Exempt markets were established to enable cattle moving off herds that would normally require a pre-movement test before moving to be sold at approved livestock markets, but they must be segregated from those cattle that are not being presented under the exemption rules. Cattle must only travel on to abattoirs or approved premises.

4.7 The effect on livestock markets of falling abattoir numbers

Notwithstanding the increased trend towards deadweight selling of finished cattle, particularly following the closure of markets during the FMD crisis, livestock markets remain important in the sale of finished stock, particularly sheep, purchased in the main by domestic abattoirs to serve both the domestic and the export markets.

However, as the number of abattoirs has declined, the number of buyers has fallen, particularly as many of the larger abattoir companies that supply the large supermarkets have generally been reluctant to purchase livestock through auction markets, especially cattle.

There were 164 abattoirs operating in England killing cattle and 157 killing sheep (that made AHDB levy returns) in 2015. Some of these were very large single-species plants but many were multi-species plants.

In the cattle sector in England in 2015, nine plants accounted for 68% of total cattle slaughtering. The companies operating these plants were the main suppliers to the large supermarkets and the large food service suppliers and most were also exporting.

In the sheep sector in England in 2015, 20 plants accounted for 79% of total sheep slaughtering. As with cattle, some of the companies operating these plants were the main suppliers to the large supermarkets and the large food service suppliers, and most were also exporting, however, a number of these were large specialist Halal plants servicing the needs of the Muslim community.

Of the remaining plants, a few would still be operated by traditional retail butchers, principally to service their shop. However, fewer auction markets still have regular customers from the traditional butchery trade (ie buying animals to kill or have killed in order to retail the meat in their shops).

Today many of the buyers for abattoirs, particularly for the larger ones still buying stock through auction markets, will also be representative agents often buying on more than one account, thus reducing further the number of actual buyers that may be around the ring at any time.

4.8 Environmental policy issues

The agriculture and food industry as a whole has to adjust to an increasing demand for low input, low environmental impact farming and food production.

Following international treaties, such as the 2016 Paris accord, legislation through EU and UK policies aimed at reducing Greenhouse Gas (GHG) emissions to meet climate change targets, will have a direct impact on the livestock industry.

The livestock and meat industry, however, also has to cope with seemingly diverse objectives and pressures from Government bodies and non-government organisations (NGOs), some of which for example see a reduction in the intensity of grazing and also a reduction in meat eating, as potential social and environmental objectives.

They will also have to cope with the challenges or be seen to be working with the industry to improve carbon footprints, not only for the market site but also for the liveweight marketing transport supply chain. This will involve working more closely with environmental organisations where relevant and defending the role of auction markets within the livestock supply chain at all levels, from breeding to store to finishing.

It will also encompass minimising the greater environmental pressure on existing facilities and on requirements for new markets by taking into account and/or dealing with issues such as water treatment, effluent disposal and water run-off.

Markets will have to continue to be aware of the local problems that can build up around sites, such as traffic congestion (increasing concerns over air pollution from diesel transport) and urban/industry park spread, which are now beginning to affect some markets which were re-located from town centres.

4.9 Developments in technology and training

Technological developments affect competitiveness across the food chain. How the industry and livestock markets use ICT rather than just coping with it (such as with the electronic identification of livestock) remains an issue in the industry which needs to be addressed to provide producers with the tools to improve efficiency and adhere to legislative requirements.

Markets should have a role in raising awareness of the advantages of using technology to improve business profitability and networks of best practice are required to share R&D with the industry, and could form the basis of livestock improvement projects.

The industry also needs to consider better means to link the producer to the consumer, and remove suspicion from the supply chain (eg improve the liveweight and deadweight selling systems). There is an ongoing need to improve efficiency of production to reduce costs and improve performance at an individual animal and enterprise level by improving livestock performance efficiency, reducing inputs and maximising outputs for the same costs. In this, livestock markets could act as vectors for the knowledge transfer that needs to accompany research and development

Livestock markets should have key role in this, in feeding back data and information through the supply chain (eg such as with CCIR information). They need to be creative in the use of modern techniques such as ICT - EID readers and data capture, but without them taking over the essence of a market, which is to bring buyers and sellers together to enable the better exchange of a unique product ie a live animal. The new techniques adopted need to improve the capability of livestock markets to be an integral part of the mainstream livestock supply chain.

Such systems need to be linked into the back office requirements within markets, utilising new ICT to improve the efficiency of back office activity.

The liveweight selling system could be improved, with better displays of information in the sales ring and at other points around the market, utilising

CCTV and digital video systems to display sales and livestock better and improve the feedback of information from buyers of livestock to farmers. The future development of a comprehensive Livestock Industry Data Exchange Hub (LIDEH) and Defra's latest initiative of developing and delivering a multi-species database that, in principle, can be interrogated by the industry, will help facilitate data flow.

The electronic marketing of livestock was once seen as a major potential threat[14], yet despite opportunities such as the impact of the FMD crisis created with the closure of markets, the initiatives introduced were not a success and it is today seen as less of a threat. However, this is not to say that this will remain the case. As technology improves and the cost of hardware falls, while broadband coverage grows, new initiatives may arise. The onus is on auctioneers continuing to demonstrate the advantage to buyers and sellers of actually being physically close to the live animals being traded.

In addition to technological advancements, there has also been a focus on the up-skilling of auction market personnel. Recognising the importance of professional training, over recent years the LAA, along with various partners, has developed bespoke training courses for those involved in the management and operation of livestock markets.

For aspiring auctioneers, managers and animal health officers, the Livestock Market Operations and Management course, delivered by Harper Adams University was established. For drovers, the NFU Mutual Risk Management Services Ltd developed, in conjunction with the LAA, the Safety and Welfare in Livestock Auction Markets course.

4.10 Land/planning pressures

Because of their relatively large site footprint and the traffic that they generate, livestock markets are susceptible to planning pressures. This is the reason why many of those remaining have moved out of town centre sites.

In parts of the country, such as the South East, the high site values (when related to the relatively low income generation capabilities of livestock markets), have contributed significantly to the reduction in the number of livestock markets.

4.11 The compliance pressures on livestock auction markets

Due to animal health scares and related problems, all places where livestock are gathered together (defined in legislation as animal gathering areas) and where livestock are handled have been faced with an increase in regulatory standards and compliance inspections.

***14** For a description of the main historical initiatives, see L Grega and D Ray 'Electronic marketing of livestock in the UK'. Farm Management 1992. Vol 8, No 3.*

This has impacted on livestock auction markets in a number of ways, but particularly as regards issues relating to animal welfare, with biosecurity and the prevention of the spread of disease in animals also being key issues. The legislation specific to livestock auction markets is set out in Appendix 1.

5. Livestock markets in England in 2017

5.1 Gradual rationalisation

The remaining number of livestock markets operational in England in 2017, is the result of the gradual industry-led rationalisation that has taken place in recent years. However, during this time, the decline in the total number of livestock markets has also been accompanied by significant investment in many. This has particularly been the case for a core group of livestock markets particularly significant in the sale of finished livestock that are located in what could be regarded as key regional nodal points in the livestock production and market network.

Many older town centre livestock market facilities have been relocated and rebuilt (some with the help of EU Grant Aid, until the mid-1980s). Since then, any redevelopment has usually taken place financed by arrangements between various interested parties (ie market operators, local authorities and land developers).

Many local authorities have increasingly not wanted to own and maintain a livestock market site and have been keen to see markets moved and the sites, particularly those near town centres re-developed. Such initiatives typically involve the redevelopment of old market sites for commercial use, with the livestock market moving to a new site, such as Ludlow and Sedgemoor. Figure 6 shows Bakewell market, which was relocated from its old town centre site to a new location, which provides better access and facilities for livestock buyers and sellers, but for visitors still has good connections with the town.

Figure 6. Bakewell Market – example of a livemarket and agribusiness centre

Without funding from such interested parties as local authorities, however, the low level of profits from commission sales in previous years has meant that it has been difficult to make a case for investment in new markets funded solely by private operators, particularly where this has depended on funds borrowed at commercial rates of interest. It is also, for the same reason, hard for such private operators to justify major improvements in existing markets as a viable business proposition.

However, this has not prevented groups of investors, often including potential farmer users, coming together to finance development, based on the belief that a livestock market is essential for the agricultural health of the area (for example, at recent new market developments such as Sedgemoor, Cirencester and Rugby).

The use of livestock markets as centres for the buying and selling of store and breeding animals, particularly cattle and sheep, continues. Table 7 shows store and breeding sales at markets in England and Wales in 2016.

Table 7. Sales of store and breeding livestock at markets in England & Wales

	2016
Store and breeding cattle	773,800
Store and breeding sheep	1,970,000
Calves	247,000

Source: LAA

Figure 7. Cattle penning – awaiting collection/sale

Figure 8. Sheep penning – awaiting collection/sale

Table 8 shows the livestock throughputs by the main geographical areas in England identified in this report and also for Wales and Scotland for the 114 markets that were price reporting in 2016.

Table 8.Combined market throughputs of finished and cull livestock at 115 auction markets in Great Britain, 2006, 2009 and 2016 by region

Regions	Prime cattle			Cull cows		
	2006	2009	2016	2006	2009	2016
Northern	156,680	123,880	85,880	32,690	50,331	66,353
Midlands	145,477	111,795	67,510	9,746	38,051	30,365
Eastern (South East and Eastern)	15,429	13,673	6,410	1,065	2,081	4,037
South West	36,118	24,601	15,860	18,893	25,816	17,400
Wales	24,411	18,044	8,484	3,024	12,947	12,350
Scotland	49,115	36,223	20,994	11,752	34,830	36,311

	Prime sheep			Cull Ewes		
	2006	2009	2016	2006	2009	2016
Northern	2,099,259	2,202,879	1,946,596	540,694	638,395	685,129
Midlands	1,324,889	1,424,236	1,394,801	279,515	347,257	440,093
Eastern (South East and Eastern)	227,846	262,849	203,446	52,832	61,582	44,464
South West	379,974	328,933	339,538	132,477	118,262	111,717
Wales	1,440,881	1,441,565	1,230,253	378,784	380,056	401.439
Scotland	1,147,636	1,150,342	889,120	169,022	214,591	275,937

Source: AHDB/LAA/IAAS

5.2 Livestock markets in South West England

In 2017, there were 16 livestock markets identified as being operational in the South West, with one in each of the counties of Gloucestershire, Wiltshire and Dorset, three in Cornwall, three in Somerset and seven in Devon, of which 13 reported prices to AHDB MI.

A number of these, as shown in Table 9, share common operators. These are:

- Kivells - operate markets at Hallworthy, Holsworthy, Exeter and Liskeard
- Exmoor Farmers Livestock Auctions - operate markets at Cutcombe and Blackmoor Gate;
- Southern Counties Auctioneers - operate from Salisbury and Shaftesbury

In addition there were three other centres that used to hold regular markets but are now believed to be used primarily for periodic specialist sales – Bristol/Avon and Chagford, or as a collection centre – Honiton.

Table 9. Livestock markets in the South West

Location and site classification	Operator	Recorded as price reporting (PR) in 2017
Blackmoor Gate Devon RS	Exmoor Farmers Livestock Auctions Ltd	
Cirencester Gloucestershire RLM	Voyce Pullin Markets Ltd	PR
Cutcombe Somerset RS	Exmoor Farmers Livestock Auctions Ltd	PR
Exeter Devon AB	Kivells	PR
Frome Somerset RLM	Frome Livestock Auctions Ltd	PR
Hallworthy Cornwall RS	Kivells	PR
Hatherleigh Devon TC	Vicks	PR
Holsworthy Devon RLM	Kivells	PR
Liskeard Cornwall TC	Kivells	PR
Newton Abbott Devon TC	Rendells Sawdye & Harris	PR

Location and site classification	Operator	Recorded as price reporting (PR) in 2017
Salisbury Wiltshire RLM	Southern Counties Auctioneers	PR
Sedgemoor Somerset AB	Greenslade, Taylor, Hunt	PR
Shaftesbury Dorset TC	Southern Counties Auctioneers	
South Molton Devon TC	Staggs	PR
Tavistock Devon TC	Ward & Chowen	
Truro Cornwall RLM	Lodge & Thomas	PR

Site classification:
TC – Livestock markets in traditional town centre sites.
RS – Rural sites, with a basic market.
RLM – Livestock markets that have moved in recent years from traditional town centre sites to those on the edge of town, but only into new functional auction market facilities.
AB – Livestock markets that have moved and are part of a large agri–business complex.

Source: LAA/Auctioneers Web sites/AHDB

The rationalisation in the live markets sector that has occurred in the South West in recent years, as across GB, is well illustrated by comparing the situation today with that described in a report produced on the ‘Future of Livestock Markets in the South West’ as recently as 2003. This identified some 27 livestock markets that were in regular operation at that time.

The markets in the South West that are believed to have ceased operation and/or selling stock over the past 15 to 20 years, are as follows:

St Austell	Yeovil	Highbridge	Gloucester
Taunton	Sturminister Newton	Bideford	Chippenham
Helston	Andoverford	Wadebridge	Axminister
Barnstaple	Bridgewater		

However, rationalisation has not always led to closure and in recent years Highbridge and Taunton were both replaced by a new market at Sedgemoor, a new market was built to replace the older town centre site in both Cirencester and Holsworthy, and a new market is currently under construction to replace the old market at Cutcombe.

In some market towns in the South West, the location of the market in the centre of the town has been a point of concern with local authority planners for a number of years.

For example the livestock markets in South Molton and Holsworthy have been the subject of a number of studies to relocate them, with Holsworthy finally opening a new purpose out of town site in September 2014.

5.3 Livestock markets in the South East and Eastern England

In 2017, there were only seven livestock markets identified as still operating in the whole of the South East and Eastern England, of which 5 reported prices to AHDB MI.

Of these seven, five were in the South East of England, with Maidstone the only seasonal market and two were located in the Eastern counties.

The markets at Thame and Winslow/Foscote, share a common operator in Thame Farmers Auction Mart, which also holds major seasonal sheep fairs at a site that used to be in Bicester, but is now located on the Thame show ground. The market at Foscote tends to operate on a seasonal basis for sheep and periodically for stores and machinery sales.

Table 10. Livestock markets in the South East and Eastern England

Location and site classification	Operator	Recorded as price reporting (PR) in 2017
Ashford Kent AB	Hobbs Parker	PR
Maidstone Kent RS	Lambert & Foster	
Hailsham Sussex TC	South East Marts	PR
Thame Oxfordshire TC	Thame Farmers Auction Mart	PR
Foscote – replaced Winslow Buckinghamshire RS	Thame Farmers Auction Mart	PR
Colchester Essex RLM	Stanfords	
Norwich TC	Norwich Livestock Market	

Site classification:
TC – Livestock markets in traditional town centre sites.
RS – Rural sites, with a basic market.
RLM – Livestock markets that have moved in recent years from traditional town centre sites to those on the edge of town, but only into new functional auction market facilities.
AB – Livestock markets that have moved and are part of a large agri–business complex.

Source: LAA/ Auctioneers Web sites/AHDB

In the South East and Eastern England, the rationalisation in the number of livestock markets has in the past 15 to 20 years, seen the closure of markets at:

Haywards Heath	Guildford	Bury St Edmonds	Banbury
Heathfield	Rye	Kings Lynn	Bicester
Reading	Canterbury	Wickham Market	Chelmsford

As in other regions, rationalisation has not always led to closure and the old market at Ashford was replaced by a new livestock market and agri-business centre in 1999. A new location for the old market currently in the centre of Thame, has also been under discussion for some time, as has that at Hailsham.

5.4 Livestock markets in the Midlands

In 2016, there were 19 livestock markets identified as being operational in the Midlands and which reported prices to AHDB MI. Of these, seven were located in the East Midlands, with two in Derbyshire and Leicestershire and one in each of Lincolnshire, Nottinghamshire and Northamptonshire. There were 14 in the West Midlands, with six in Shropshire, three in Herefordshire, two in Warwickshire and one in both Staffordshire and Worcestershire.

A number of the livestock markets that are currently operational in the Midlands as shown in Table 11, share common operators, these are:

- McCartneys - operate markets at Ludlow, Worcester and Kington (as well as in Wales at Brecon, Knighton).
- Bletsoes - operate from Thrapston and Stratford-upon-Avon.
- Halls - operate mainly from Shrewsbury but also at Bishops Castle.
- Bagshaws - operate from Bakewell and also operate in partnership in Leek market.

Table 11. Livestock markets in the Midlands

Location and site classification	Operator	Recorded as price reporting (PR) in 2017
East Midlands		
Bakewell Derbyshire AB	Bagshaws	PR
Market Harborough Leicestershire RS	E A Lane and Sons	PR
Melton Mowbray Leicestershire TC	Melton Mowbray Market	PR
Louth Lincolnshire TC	Louth Market Auctioneers:	PR
Newark Nottinghamshire RLM	Newark Livestock Market	PR
Thrapston Northamptonshire TC	Bletsoes	PR
West Midlands		
Leek Staffordshire TC	Leek Auctions Ltd:	PR
Bishop's Castle Shropshire TC	Bishop's Castle Auctions (Halls)	PR
Bridgnorth Shropshire RLM	Nock Deighton Agricultural	PR
Ludlow Shropshire RLM	McCartneys	PR
Market Drayton Shropshire RLM	Market Drayton Market Limited	PR
Oswestry Shropshire RLM	Oswestry Livestock Auctions	PR

Location and site classification	Operator	Recorded as price reporting (PR) in 2017
Shrewsbury Shropshire RLM	Shrewsbury Auction Centre (Halls)	PR
Hereford Herefordshire TC	Hereford Market Auctioneers Ltd	PR
Kington Herefordshire TC	McCartneys	PR
Ross on Wye Herefordshire RLM	RG and RB Williams Auctioneers	PR
Rugby (Stoneleigh) Warwickshire RS	Rugby Farmers Mart Ltd	PR
Stratford Warwickshire RLM	Bletsoes	PR
Worcester Worcestershire RLM	McCartneys	PR

Not included above is the market at Three Horseshoes
Site classification:
TC – Livestock markets in traditional town centre sites.
RS – Rural sites, with a basic market.
RLM – Livestock markets that have moved in recent years from traditional town centre sites to those on the edge of town, but only into new functional auction market facilities.
AB – Livestock markets that have moved and are part of a large agri–business complex.
Source: LAA/Auctioneers Web sites/AHDB

As in other regions, there has been a steady rationalisation in the number live markets throughout the Midlands, which in the past 25 to 30 years has seen the closure of markets at:

Ledbury	Hope	Northampton	Craven Arms
Uttoxeter	Grantham	Leominister	Ashbourne
Oakham	Tenbury Wells	Penkridge	Stamford
Kidderminister	Lichfield	Derby	Henley-in-Arden

As in other parts of the country, the rationalisation over the period has been accompanied by investment, with, for example, Bakewell moving to its new out-of-town agri-business centre site in 1998. The market at Melton Mowbray was substantially re-developed at about the same time. Other markets that have moved from older town centre facilities to new sites involving major investment include those at Hereford, Ludlow, Newark, Bridgnorth, Shrewsbury, Ross-on-Wye, Worcester and Market Drayton, while others moving on a tighter budget include those at Rugby (now on the Stoneleigh showground), Stratford and Market Harborough.

The market at Thrapston has been considering moves from its town centre location to new sites for a number of years, while the market at Louth is the subject of ongoing local debates about its location.

5.5 Livestock markets in the North of England

In 2016 there were 36 livestock markets identified as being operational in the North of England. In the North East, there were 21 markets, with 10 located in North Yorkshire and two in West and one in East Yorkshire, four markets in Northumberland and four in County Durham (of which the markets at St Johns Chapel and Middleton, in Teesdale, are today mainly store markets). In the North West, there were 16 markets, of which 10 were located in Cumbria (with that at Lazonby being mainly a store market), four in Lancashire and one in Cheshire. Of these 32 reported prices to AHDB MI.

A number of these livestock markets, shown in Table 12, shared common operators. These were:

- Harrison and Hetherington Ltd - operate from Carlisle, Kirkby Stephen, Wooler, Broughton-in-Furness, Lazonby and Middleton-in-Teesdale (also have an interest in markets in southern Scotland, at St Boswells, Lockerbie and Newcastleton).
- Hexham and Northern Marts Ltd - operate from Hexham and Scots Gap.
- North West Auctions – operate at Lancaster and Kendal.
- R Turner & Son – operate at Gisburn and Bentham.
- Bernard Castle Auction Mart - operate at Bernard Castle and St Johns Chapel.

Table 12. Livestock markets in the North of England

Location and site classification	Operator	Recorded as price reporting (PR) in 2017
North East		
Acklington Northumberland RLM	North East Livestock Sales	PR
Barnard Castle Co Durham TC	Barnard Castle Auction Mart	PR
Bentham Lancashire TC	Bentham and District Farmers Auction Mart Co Ltd (R Turner & Son)	PR
Darlington Co Durham TC	Darlington Farmers Auction Mart	PR
Hawes North Yorkshire TC	Hawes Farmers Auction Mart Co	PR
Hexham Northumberland AB	Hexham and Northern Marts	PR
Holmfirth West Yorkshire TC	Holmfirth Attested Auction Market	PR
Hull/Dunswell East Yorkshire RS	Frank Hill and Son	PR
Leyburn North Yorkshire TC	Leyburn Auction Mart Ltd	PR
Malton North Yorkshire TC	Malton Livestock Auctioneers	PR
Middleton in Teesdale Co Durham TC	Harrison and Hetherington Ltd	
Northallerton North Yorkshire TC	Northallerton Auctions	PR
Otley West Yorkshire TC	Wharfedale Farmers Auction Co	PR
Pateley Bridge North Yorkshire TC	Pateley Bridge & District Farmers Auction Mart Ltd	

Location and site classification	Operator	Recorded as price reporting (PR) in 2017
Ruswarp, Whitby North Yorkshire TC	Richardson and Smith	PR
St Johns Chapel Co Durham RS	Barnard Castle Auction Mart	
Scots Gap, Morpeth Northumberland RS	Hexham and Northern Marts	PR
Selby North Yorkshire RLM	Selby Livestock Auction Market	PR
Skipton North Yorkshire AB	Craven Cattle Markets Ltd	PR
Thirsk North Yorkshire AB	Thirsk Farmers Auction Market	PR
Wooler Northumberland TC	Harrison and Hetherington Ltd	PR
York North Yorkshire AB	York Auction Centre	PR
North West		
Beeston Castle Cheshire TC	Wright Marshall	PR
Claughton on Brock Lancashire RLM	Brockholes Arms Auction Mart Ltd	PR
Broughton in Furness Cumbria TC	Harrison and Hetherington Ltd	
Carlisle Cumbria AB	Harrison and Hetherington Ltd	PR
Clitheroe Lancashire RLM	Clitheroe Auction Mart Co Ltd	PR
Gisburn Lancashire TC	Gisburn Auction Market (R Turner & Son)	PR

Location and site classification	Operator	Recorded as price re-porting (PR) in 2017
Kendal Cumbria AB	North West Auctions Ltd	PR
Kirkby Stephen Cumbria TC	Harrison and Hetherington Ltd	PR
Lancaster Lancashire RLM	North West Auctions Ltd	PR
Lazonby Cumbria TC	Harrison and Hetherington Ltd	
Longtown Cumbria TC	C&D Auction Marts Ltd	PR
Penrith Cumbria RLM	Penrith and District Farmers Mart LLP	PR
Ulverston Cumbria TC	Ulverston Auction Mart PLC	PR
Wigton Cumbria TC	Hopes Auction Co Ltd	PR

Site classification:
TC – Livestock markets in traditional town centre sites.
RS – Rural sites, with a basic market.
RLM – Livestock markets that have moved in recent years from traditional town centre sites to those on the edge of town, but only into new functional auction market facilities.
AB – Livestock markets that have moved and are part of a large agri–business complex.

Source: LAA/Auctioneers Web sites/AHDB

While the North of England has the highest number of operational markets in England, it has also seen a large number of market closures as the industry has rationalised over the past 20 to 25 years. These include markets that formerly operated at:

Seamer	Tow Law	Tyneside	Preston
Guisborough	Ponteland	Sedbergh	Crewe
Stokesley	Rothbury	Penistone	Congleton
Pickering	Bishop Auckland	Driffield	Chester
Reston	Bellingham	Haslingden	Masham
Ripon	Wetherby	Bingley	Chelford

Other older markets, such as that at Pateley Bridge, have seen their throughputs fall, although they still provide an important service for local farmers.

As in other parts of the country, this rationalisation has also been accompanied by significant investment. In 1971, York market moved from a location near the walls of the old town to what was one of the first out of town agri-business centres. Other markets, such as Hexham in 1995, have followed this trend and re-located to new purpose-built sites or invested heavily in existing sites, these include markets such as Skipton, Thirsk, Cockermouth, Wooler, Carlisle, Penrith, Acklington, Selby, Clitheroe, Lancaster, Kendal, Longtown and, to a lesser extent, Ruswarp and Hull/Dunswell.

Darlington is also known to be looking to re locate.

Of the other markets in the North of England, there are still several occupying traditional town centre sites or on older established sites, for example Hawes, Barnard Castle, Middleton, Otley, St Johns Chapel, Scots Gap and Leyburn in the North East and Kirkby Stephen, Broughton, Gisburn, Ulverston and Lazonby in the North West.

6. The future for livestock markets

This review was prepared to mark the 200th anniversary of livestock markets as a system of trading livestock. Looking ahead, it seems clear that if livestock markets are to survive and prosper in the next 20 years, they will need to continue to maintain, as in the past, the support of the local farming community which each market serves.

First and foremost, farmers need to continue to be confident that that they will get a fair price for stock sold through the market. Farmers must appreciate and support the open, transparent and competitive marketing forum that the live ring provides and understand the potential consequences associated with losing such a service if it is not supported. At the same time, farmers must continue to regard the market as being a key hub in the local agricultural network, a place where they can meet other farmers and discuss and get help with farming problems and associated matters.

In order to help retain this confidence and support, markets need to continue to attract both buyers and sellers to the market by maintaining or improving the attraction of the market site, ensuring good road connections and adequate parking, that service buildings are suitable for purpose and have good facilities that, where appropriate, utilise new technology.

To be able to continue to do this, the market site and the activities on it need to generate an adequate turnover, from a cost base that will deliver a profit margin that will allow for reinvestment.

In order to retain and improve turnover, individual markets can compete both locally and regionally with other forms of marketing. However, on a national basis they are dependent upon the fortunes of the livestock industry, which is outside of their control.

The fortunes of the livestock industry will continue to remain subject to both periodic and cyclical national and international economic forces, as well as to other more unpredictable ones, such as disease outbreaks and the implications of Brexit.

In order to compensate for the fluctuations in turnover from livestock sales that will inevitably arise because of these forces, markets need to continue to diversify and improve their income from other sources (eg agricultural machinery and other associated sales, as well as demand for their professional services), making optimum use of the site.

Following the major disease problems in the previous decades, bio-security and the safeguarding of animal (and human) health will remain major compliance issues, as will animal welfare. As a result, pressure to invest to upgrade older facilities in order to achieve higher standards will continue and the capital costs of building replacement market facilities will inevitably rise.

In addition, the next decade is already shaping up as one where meeting environmental requirements will be a major consideration (eg from saving energy, using less water, disposing of waste and organising the market activities so that the overall carbon footprint of the activity is reduced) and will require further attention to existing practices and greater investment.

In some of the older, smaller markets, which may today be less well located as urban development has progressed, the ability to generate income from higher livestock sales or from diversified sources may be limited. These smaller markets may have challenges in terms of effluent disposal and biosecurity which may impact operating costs, however, they are seen as being very important, especially in upland areas where travelling further afield is not a viable option.

Other markets, particularly many of those located at core nodal points, with good road communications and that are large enough to benefit from economies of scale, can be expected to survive, even to prosper, particularly if livestock prices remain relatively strong, despite having to meet new challenges.

It may be that the markets in the middle ground, that possibly need further investment and have limited opportunities to draw in additional income from others sources, may well face the largest challenge, especially with the proposed increase in business rates.

While selling livestock via livestock auction markets is steeped in history, markets themselves have continually developed over this time. This is particularly the case in the last 20 years, whereby not only have facilities improved beyond recognition, giving both welfare and environmental benefits, but operators themselves have become more knowledgeable in the handling of stock and have embraced assurance and training, as well as focusing on new technology not only to meet legislative challenges, such as movement reporting, but to aid information flow to livestock producers to enable them to become more efficient and sustainable.

APPENDIX 1

The compliance requirements for livestock auction markets

1.1 Legislation for animal welfare

The overall requirements for animal welfare are currently set out in:

- **The Animal Welfare Act 2006**

The Act states animal owners, keepers and those with temporary responsibility (market operators and staff) have a duty of care to ensure animals are protected at all times. They must have a suitable environment and diet and be able to exhibit normal behaviour. They must also be protected from pain, injury, suffering and disease and be housed according to their specific needs. This applies at all times, including during transport and while at markets and shows.

The market owner and operator are responsible for the animals at the market and penalties for not carrying out this duty range from fines to imprisonment.

For details go to:
http://www.opsi.gov.uk/acts/acts2006/pdf/ukpga_20060045_en.pdf

There is also specific legislation covering the welfare of animals at markets and gatherings and during transport, set out below in Market Operations, but it also covered by:

- **The Welfare of Animals at Markets Order (1990) and its amendments**

The original Order placed greater emphasis on the market's responsibility for animal welfare, as regards to the number of animals per pen, handling, the separation of species and treatment of unfit arrivals.

It was the sections on animal welfare in this Order and in particular, the 'Protection of animals from injury or unnecessary suffering' as stated in paragraph six, which were or most relevance:

- No person shall cause or permit any injury or unnecessary suffering to an animal in a market
- Without prejudice to the generality of the paragraph above, it shall be the duty of the person in charge of an animal in a market to ensure that the animal is not, or is not likely to be, caused any injury or unnecessary suffering by reason of:
    - The animal being exposed to the weather
    - Inadequate ventilation being available for the animal
    - The animal being hit or prodded by any instrument or other thing
    - Any other cause

This resulted in all new markets having to be covered.

For details go to - www.opsi.gov.uk/si/si1990/Uksi_19902628_en_1.htm

1.2 Market operations

The main legislation under which markets operate is contained within the Animal Gatherings Order and as amended (very minor changes) by the Agriculture, Animals, Environment and Food etc. (Miscellaneous Amendments) Order 2012.

- **Animal Gatherings Order 2010 No. 460** and as amended by **The Agriculture, Animals, Environment and Food etc. (Miscellaneous Amendments) Order 2012**

This is the main legislation under which markets operate an define animal gatherings as an occasion at which animals are brought together for:

- A sale, show or exhibition;
- Onward consignment within Great Britain for the further rearing, finishing or slaughter;
- Inspection to confirm the animals possess specific breed characteristics.

It requires that the premises must have an agreed standard operating procedure and be licensed by a veterinary inspector. The licence must be in writing, detailing the name of the licensee, the premises in which the gathering will take place and the specific areas to which animals may be given access.

If the premises are to be used more than once every 27 days, the Order states the animal area must be paved with cement, concrete, asphalt or other hard, impermeable material that is capable of being effectively cleansed and disinfected. It also states that cleaning must not begin until all animals have been removed from the area.The Orders also require that the licensee must ensure that all feeding stuffs to which animals have had access and all bedding, excreta, other material of animal origin and other contaminants derived from animals in the animal area are, as soon as possible and before animals are allowed to enter the licensed premises again:

- Destroyed
- Treated so as to remove the risk of transmission of disease
- Disposed of so that animals do not have access to it

However, in practice, the issue of bio-security of is a matter of interpretation by, previously, the Defra veterinary officer responsible and now by Defra Animal Health division. Key issues covered in the Order include:

- That floors and surfaces can be adequately cleaned and disinfected
- That penning can be adequately cleaned and disinfected and is in a good state of repair so as not to damage animals
- That adequate washing/disinfection facilities are available for staff and visitors
- That there is a lorry wash with drainage suitable to handle straw and excreta without blockage
- That the drainage for all wash downs (and the effluent) does not present a further environmental (bio-security) hazard – also depends on local requirements for effluent disposal

All of these requirements result in the need for additional investment. Many older markets find it difficult to meet them without major re-building and development. The main implication of the new Orders introduced since the FMD crisis has been to increase the operational costs of markets.

For details go to: www.opsi.gov.uk/si/si2010/uksi_20100460_en_1

1.3 Transport

The main headings in the key pieces of legislation set out below indicate the main topics that are now covered relating to the transport of animals:

- **The Welfare of Animals (Transport) Order (England) Order 2006**

For details go to - www.opsi.gov.uk/si/si2006/uksi_20063260_en.pdf

- **The Transport of Animals (Cleansing and Disinfection) (England)(no 3) Order 2003**

For details go to: www.opsi.gov.uk/si/si2003/20031724.htm

Similar legislation applies in Scotland and Wales.

1.4 Welfare strategy

In 1998, the Government launched the Strategy for the Protection of Animal Welfare at Livestock Markets. The aim was to improve welfare standards at markets and it was developed after consultation with a number of interested bodies so that it would be jointly owned and implemented. The main aims of the strategy were to:

- Clarify the division of responsibilities in the market
- Encourage market operators to appoint market welfare officers
- Emphasise the value of the codes of practice
- Provide action points for addressing the most pressing welfare issues
- Promote good communication between all people with an interest in markets
- Monitor welfare standards so that points of concern can be identified rapidly and dealt with appropriately

Many of the operations and procedures set out in the strategy have proved to be very successful and have been adopted by many markets. Some of the original legislation referred to in the strategy had been revoked and replaced with new legislation (see above).

The Defra Animal Health division carries out welfare assessments of each market and these visits help to ensure the standards are maintained and applied evenly across the country. Monitoring in this way enables them to assess if certain problems are becoming less (or more) frequent and also alert then to any new problems. Any problems identified are brought to the attention of the market operator and the local authority, as the responsible enforcement agency.

The legislation concerning auction markets and gatherings also forms an important part of the Government's Animal and Welfare Strategy for Great Britain. The welfare improvements and requirements resulting from the new legislation often result in the need for additional expenditure, but many older markets find it difficult to meet the requirements without major re-building and development. This, together with the operational changes resulting from the FMD crisis, has also increased the operational costs of markets.

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