



Monthly Market Report

April 2017

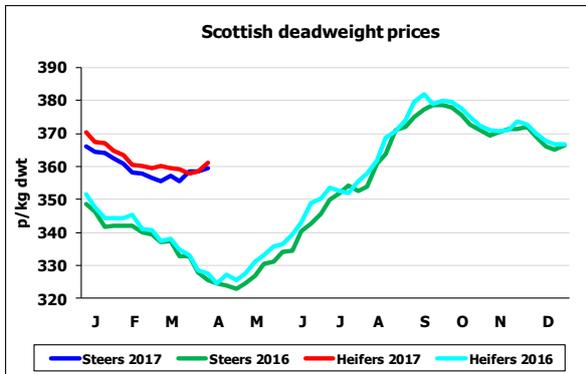
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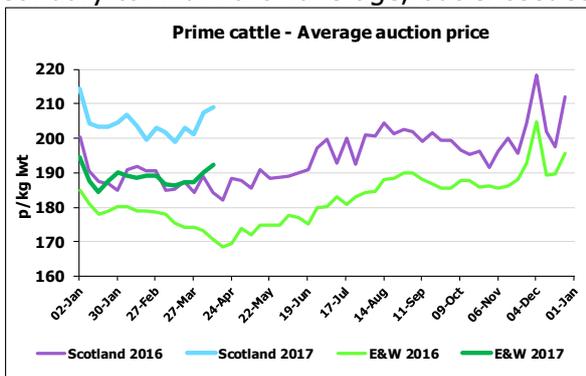
Cattle

Prices and Supplies



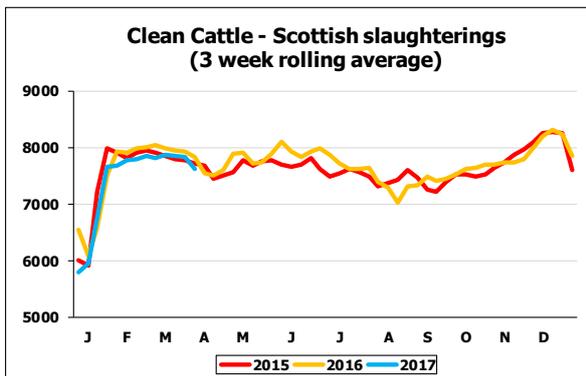
In contrast to the past couple of years when prices had been falling through the spring, the prime cattle market has been relatively stable this year. Consequently, prices opened April 10% above year earlier levels, having been 5-7% ahead until mid-March. The average R4L grade steer price at reporting Scottish abattoirs traded between 361.5p/kg dwt and 363.5p/kg dwt in the 7 weeks from mid-February to the end of March, before climbing slightly to an 8-week high of 364.5p/kg in the

first week of April. With heavy carcasses continuing to face price penalties, the R4L steer price averaged 3p above the -U4L steer over an 8-week period. In the four weeks to April 8, the number of prime cattle handled by price reporting Scottish abattoirs fell back below their mid-January to mid-March average, but exceeded year earlier levels by 1%.



Having shown stability during February and March the prime cattle average rose strongly at the beginning of April at Scottish auctions. After six weeks trading in the 200-203p/kg lwt range, prices averaged more than 207p/kg in early April before rising to 209p/kg in the week ending April 12. It was last higher during the festive period when trading volumes were thin. Compared to 2016, prices were averaging 8-10% higher until the most recent

week when the differential widened to 13.5%. Over the past month, marketings have been almost a quarter lower than last year.



Defra estimates that 112,800 prime cattle were slaughtered by abattoirs in England and Wales (E&W) during March. After accounting for two additional working days compared to March 2016, this was a fall of just over 3% on the year. On a daily average basis, throughput was up 1.5% from February. Scottish abattoirs slaughtered 38,500 prime cattle during the five weeks to April 1. Although the weekly average fell by 2% on the month to 7,700 head, throughput was marginally above

March 2016 levels, having trailed 2016 in the first two months of the year. In Northern Ireland (NI), DAERA figures show that 31,900 prime cattle were slaughtered during the five weeks ending April 1. While this was up by nearly 2.5% on the same period of last year, the weekly average kill was down 4% from February.

Increased male prime cattle slaughterings at Scottish abattoirs offset a decline in the heifer kill relative to a year earlier in March. The number of steers and young bulls processed rose

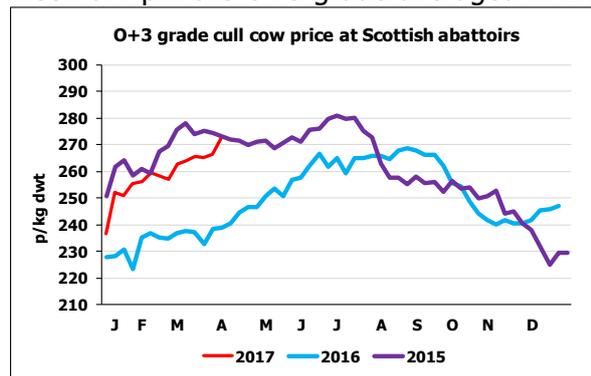
by 2% and 2.5% respectively, whereas 2.5% fewer heifers were slaughtered. Therefore, the steer share of the prime kill rose by a percentage point to 55.2%, the young bull share edged up marginally to 4.6% and the heifer share lost 1.1 percentage points, slipping to 40.2%. Compared to February, the steer and young bull shares rose slightly while the heifer share fell.

Prime cattle carcase weights averaged 373.9kg at Scottish abattoirs in March. This was up from 371.4kg in the previous month but remained 2kg (0.5%) lighter than 12 months before. Steer, heifer and young bull carcasses were all 2-3kg heavier than in February. However, relative to a year earlier there was greater variation. Steers and young bulls were both around 5kg lighter (1.5%), at a respective 391.5kg and 344.3kg, but heifer carcase weights increased by 1.7kg (0.5%) to an average of 352.4kg.

Lighter carcase weights turned stable prime cattle slaughterings into a reduced volume of prime beef output at Scottish abattoirs. Production fell by 0.5% year-on-year in March.

At £1,398, Scottish abattoirs paid an average of 5.5% more for a steer carcase during March 2017 than 12 months before. This reflected a 7% higher average price but 1.5% lower average carcase weight.

Cull cow prices have been on a consistent upwards trajectory so far this year. In the first week of April the O+3 grade averaged 272.5p/kg dwt, up from 263p/kg at the beginning of



March and from 237p/kg in the first week of the year. As well as a seasonal fall in cow numbers reaching abattoirs, the market has been supported from the demand-side. It is likely that the weak sterling against the euro has boosted export prices for cow carcasses. As April began, the O+3 grade price was at its highest level since late July 2015 and up 14% year-on-year. Cow prices at Scottish auctions have also been rising of late as marketings have slipped to a seasonal low point. The

average price reached 124p/kg lwt in the week ending April 12; a 22-month high and 14.5% above the same week last year. Beef cows have risen to around 135p/kg while dairy cows have picked up to 105p/kg.

Mature cattle slaughter fell back seasonally at Scottish abattoirs in March, with the weekly average kill falling 13.5% below February levels to 1,300 head. Nevertheless, slaughter volumes remained well above 2016 levels, up 9.5% at 6,500 head. Defra slaughter statistics for E&W suggest that cow slaughter remained lower than in 2016 for a second month, with the daily average falling by 9% after a 5.5% annual decline in February. The daily average fell by 6.5% between February and March. According to DAERA, the weekly adult cattle kill in NI fell by 15% from February, but it was still 13.5% above 2016 levels.

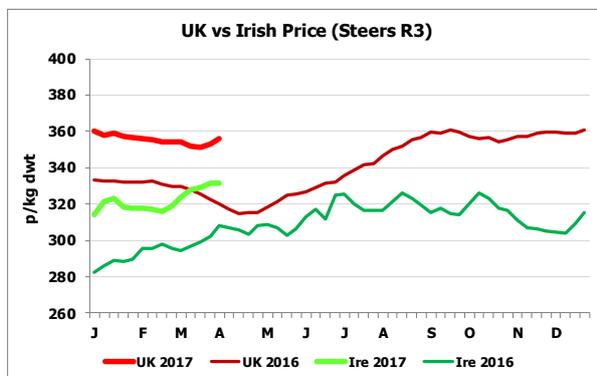
Cow carcase weights at Scottish abattoirs trailed year earlier levels for the 23rd consecutive month in March. At 343kg, they averaged 2.7kg (0.8%) lighter than a year earlier. Compared to the previous month, they fell by 4.5kg (1.3%).

The store cattle trade had been following a traditional seasonal pattern, firming in advance of the main spring store cattle sales, before cooling through March. However, moving into April, prices have trended higher again, with the three-week rolling average for a 6-12 month steer

picking up £11 over two weeks to trade at £922.50. This was the highest for five weeks and exceeded its year earlier level by 5.5%. Prices for 12-18 month stores have moved in a similar way, reaching a five-week high of £986.50 in the first week of April.

Kantar Worldpanel data for GB household purchases indicates that, following a strong end to 2016, beef demand held firm in the early weeks of 2017. Consequently, purchased volumes rose by 3% year-on-year in the 12 weeks to January 29. Once again this was supported by lower prices, with the average price down by around 2.5% on a year earlier. The one cut to disappoint was roasts, down 4.5%, whereas stewing beef, steaks and mince recorded annual increases of 3.5%, 10.5% and 5.5%, respectively. It is estimated that 74% of GB households bought beef during the period.

For manufactured beef products, the Kantar figures point to a marginal increase in sales of burgers and more significant gains for chilled beef-based ready meals, by 7%, and steak pies, 4%. By contrast, there were 6% declines for frozen ready meals and pasties, and a 2.5% fall in sales of frozen steak pies.



In euro terms, the average R3 grade steer price in the Irish Republic has picked up strongly since the beginning of March, following a period of stability. After trading at €3.71-€3.72/kg dwt (321-322p/kg) for seven weeks, five weekly increases have taken the price to €3.88/kg (331p/kg) in the first week of April. In euro, this was a year-on-year increase of 1% and the price was last higher in the final week of June 2016. By contrast, in sterling, this was its highest level

since September 2013, and was a year-on-year increase of 7.5%. However, a small lift in sterling in recent weeks has limited the recent increases in Irish prices when converted into sterling. Recent price movements have narrowed the gap with Scotland. The Scottish premium over Ireland had been running at around 15% in January and February, but opened April at 10%.

The EU average price for an R3 grade young bull was 1.5% lower in the final week of March than it had been at the end of February, sliding to €3.72/kg dwt (320p/kg). A number of Member States saw declines of 2-3% in euro terms, including the UK, Germany, Spain, Italy and Holland. Meanwhile, the Polish average fell by less than 1% and the market was stable in Belgium, France and Sweden. By contrast, Irish prices firmed by 3.5%.

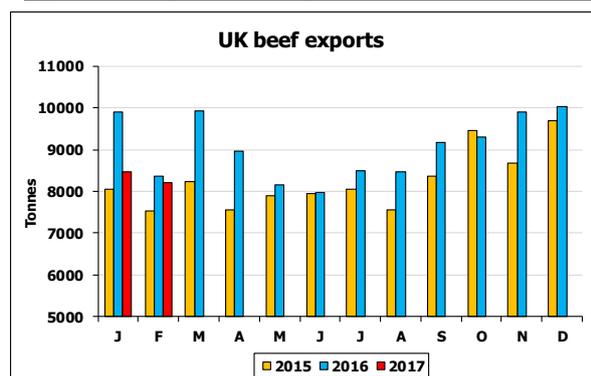
The recent dip in young bull prices across much of the EU brought the EU average in line with its year earlier level at the end of March. Dutch prices continued to show a considerable year-on-year decline, of 8%, while Belgian, Italian and Spanish young bulls traded 2-3% cheaper than twelve months before. The UK average was down by 1% year-on-year in euro terms. However, prices were slightly higher than last year in Germany, France, Poland and Sweden, with all showing gains of less than 1%, while the Irish average was up by more than 1.5%.

The cow trade has risen seasonally across the EU in recent weeks. Consequently, the EU average for O3 grade cows lifted by nearly 2% between late February and late March to trade at €2.83/kg dwt (244p/kg); an 18-month high. Small increases of 1-2% were common, including in Belgium, Germany, France, Italy, and Holland. The euro terms gains were more

muted at around 0.5% in the UK and Spain, but more pronounced in Poland and Ireland, at 3% and 4.5% respectively. Sweden was the exception, with prices down by almost 1%.

A rising market has held the EU average for O3 grade cows above 2016 levels throughout the first quarter of 2017 (Q1). At the end of March, it was 3% above last year's level. This was underpinned by strong euro terms gains for producers in Germany (9%), Poland (6.5%), the UK (6%), and Italy (5.5%). Meanwhile, there were below average increases of 1% in Sweden and just over 2% in both France and Ireland. However, the market cleared 1-2% below 2016 levels in Belgium and Spain, and down 7.5% in Holland.

Regional price comparison			€1 = £0.862
w/e 08/04/17	Steer R3 (p/kg dwt)	Heifer R3 (p/kg dwt)	Cow O3 (p/kg dwt)
Scotland	363.1	361.8	266.7
E & W North	350.9	347.9	259.2
E & W Central	351.1	352.8	261.0
E & W South	359.0	360.8	260.4
NI	353.5	351.7	262.0
RoI (9/4)	331.4	340.9	272.8
France (9/4)	312.9	336.0	271.0
Germany (2/4)	n/a	310.9	250.4
Holland (2/4)	n/a	211.5	216.1
Spain (2/4)	n/a	330.3	191.2
Poland (2/4)	n/a	271.8	231.9
Italy (2/4)	n/a	354.9	226.0
Sweden (2/4)	416.9	407.4	366.5
EU28 (2/4)	340.6	330.0	244.2
USA (9/4)	348.1 (steer)	349.9 (heifer)	246.1 (Cutter – 90% lean & >225kg)
Australia (12/04/17)	398.9 (EYCI – steers & heifers)		291.8 (medium cow)

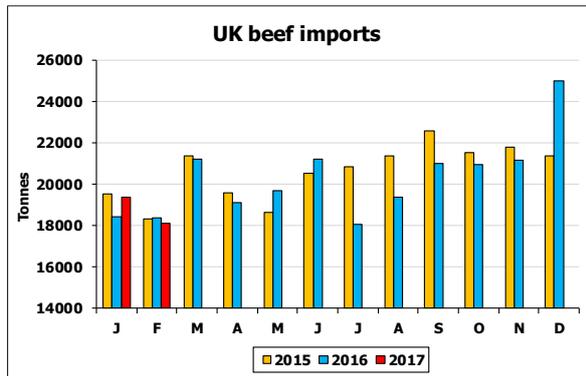


HMRC trade data shows that following increases for much of 2016, UK beef exports cooled again at the beginning of this year. Shipments fell 14.5% short of 2016 levels in January and then by 2% in February. The 8,200t shipped out during February was equivalent to 11% of UK abattoir production, unchanged on the year.

At 6,800t, UK beef exports to the EU fell at an annual rate of 8.5% in February. Reduced trade in boneless cuts accounted for most of the overall decrease. Exports were driven lower by declines in sales to the two main markets of Ireland and Holland, down by a respective 6% and 15%. Trade with some of the smaller EU markets similarly declined, including France, Germany and Sweden, while Belgium was stable. By contrast, Italy, Denmark, Poland and Spain picked up.

The strong export growth to non-EU markets experienced during 2016 has been carried over into the New Year, with shipments rising by 140% in January and then by 49% in February. At more than 1,400t in February, non-EU markets accounted for 17% of exports, up from 11% a year earlier and 7% in February 2015. 40% of this volume was delivered to Hong

Kong, with the 570t shipped there a 71% annual increment. Gabon, Vietnam and Ghana also showed increases, but sales to French Polynesia and Switzerland dipped back.



At 18,150t, UK beef imports fell 1% short of a year earlier in February. Most of the shortfall was frozen beef, which contracted by 4% to 4,600t, as the decrease in deliveries of fresh beef was only marginal. 13,550t of fresh beef arrived, down 0.1% year-on-year.

While overall beef imports fell back, there was a shift towards EU suppliers. Indeed, imports from the EU rose by 4% to 17,500t and covered 96.5% of monthly import

requirements. A year ago, they had accounted for less than 92%. Imports from the Irish Republic rose by 4.5% to 13,400t. This was a 74% share of the total, up from just under 70% a year earlier. Fresh beef imports from Ireland rose by 2.5% while shipments of frozen beef expanded by 12.5%. Poland became the second largest supplier, shipping 35% more beef to the UK than a year earlier, with volumes reaching 1,350t, but deliveries from Holland slumped by 4.5% to fall below the 1,300t mark. France, Germany, Italy and Denmark also delivered less beef to the UK, but Spain and Belgium sent more.

Only 619t of beef was imported to the UK from non-EU countries during February. In addition to being a year-on-year decline of almost 60%, it was the first time that monthly shipments from outside the EU have dropped below 1,000t for many years. Brazil led the declines, at 82%, closely followed by falls of 40-70% from Uruguay, Namibia, Botswana, Australia and NZ. Imports from Argentina and Paraguay did increase, albeit from a very low base.

News Round Up

During the five-week period ending on April 8, prime cattle slaughterings at Irish export abattoirs rose by around 1.5% year-on-year to 119,100 head. However, numbers have fallen back seasonally with the average weekly kill sliding to 23,800 head compared to 26,700 head in the five weeks to March 4. Over the five weeks to early April, the steer kill rose by 5.5% year-on-year, pulling up their share of the kill by nearly two percentage points from last year to just under 49.5%. Meanwhile, a 3% expansion in the heifer kill saw their share edge up from 36.5% to 37%. By contrast, 12.5% fewer young bulls were slaughtered than in the same period of 2016, pushing their share down from nearly 16% to just over 13.5%.

The long process of gaining access to the Chinese market for Irish beef has taken a further step forward as the Chinese Government Minister with responsibility for AQSIQ (General Administration of Quality Supervision, Inspection and Quarantine - the Chinese food safety authority) visited Dublin in mid-April. A formal BSE-related ban was initially lifted in early 2015 and since then Ireland has submitted a questionnaire and received an inspection from the Chinese authorities. The next stage is for an export health certificate to be drawn up and then individual processing plants will need to be given approval to sell beef to China before trade can eventually commence. During March, France had its ban on exporting beef (boneless beef from cattle aged under 30 months) to China lifted.

In its biannual global meat production forecasts, the USDA has forecast a rise in global beef production of close to 2% in 2017. This would take volumes to nearly 61.6m tonnes. The world's largest beef producing nation, the US, is expected to grow its share of global production from 2016's 19% to 19.5% this year due to a 5% expansion to 12.1m tonnes.

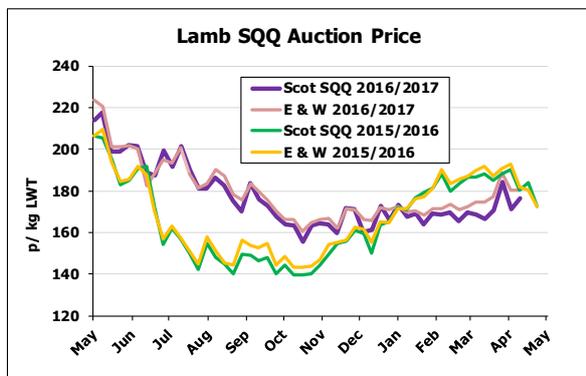
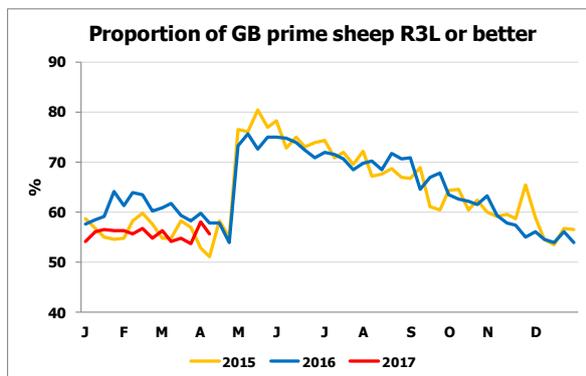
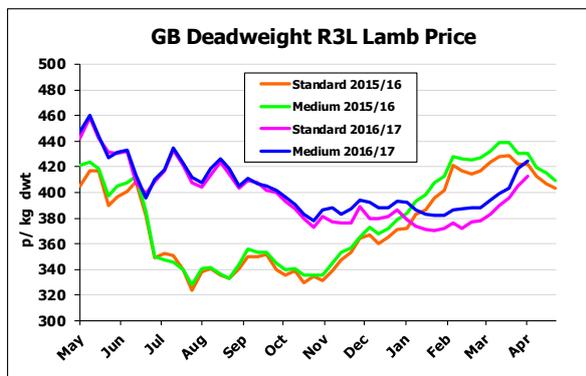
Meanwhile, Brazil's beef production is expected to recover following two years of declines, rising 2.5% to 9.5m tonnes. Smaller increases of around 1% have been forecast for the EU, China and India, pushing up their production to 7.875m tonnes, 7.07m tonnes and 4.25m tonnes respectively. Most other major beef producing nations are expected to expand in 2017, including Argentina, Mexico, Pakistan and Turkey, though respective decreases of 2% and 3% have been forecast for Russia and Australia.

Australia exported 216,400t of beef during the first quarter of 2017. Compared to the same period a year earlier this was a decline of 12%, as shipments were limited by tight supplies. A breakdown of the trade figures shows that exports of both fresh and frozen beef fell by the same 12% rate, slipping to 60,200t and 156,200t respectively. Japan was the largest market during the quarter, buying 65,400t of beef; a year-on-year increase of 22%. This was underpinned by a reduction in the tariff faced by Japanese importers buying Australian beef. By contrast, the US, which used to be Australia's largest market, bought 27% less than in Q1 2016. This sharp decline to 50,900t partly reflects a well-supplied US market where rising beef production has reduced import requirements. Of the other main markets, sales to Korea fell by 21% to 32,700t, but Australian exporters achieved greater penetration of the Chinese market, selling 24,400t – an increase of 4%. Most smaller markets saw considerable reductions of 20-40%, but Taiwan was stable, Malaysia edged higher, and Hong Kong did show an increase.

Abattoir throughput has made a strong start to 2017 in Uruguay, rising by 6% year-on-year in January, by 11.5% in February, and then by more than 18% during March. This meant that during Q1 a total of 606,650 cattle were slaughtered, up 12.5% on 2016. A breakdown of the kill shows that nearly 46% of the total kill were steers and over 52% were females. Meanwhile, young bulls accounted for only 0.6% and adult bulls a further 1.3%. Slaughtering is spread out across many large abattoirs in Uruguay with the 15 largest plants slaughtering between 20,000 and 50,000 head each during Q1 and collectively accounting for just under 80% of throughput. At 48,100 head, the largest abattoir slaughtered less than 8% of the quarterly kill.

Sheep

Prices and Supplies



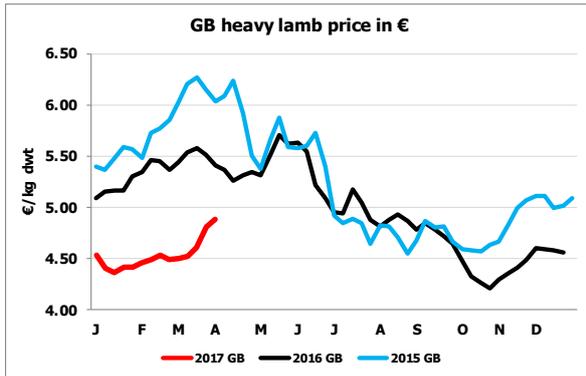
At reporting GB abattoirs, the average SQQ¹ prime hogg price firmed in the run-up to Easter. Prices began edging higher in February, before gaining around 5p/kg dwt a week from early March, and then 15p in the final week of March. As numbers began April at their highest level of the year-to-date, the weekly price increase was then limited to 3p, taking the average to 417p/kg. Although a 32-week high, it remained 2% lower than last year. R3L grade medium hoggings averaged 10.5p (3%) higher than standard R3L hoggings during the four weeks ending April 8, and traded at 420p/kg as April began.

Carcase quality has been running significantly behind 2016 levels for much of 2017. In general, the proportion grading at R3L or better had been down by 5 percentage points year-on-year until the final week of March, when the gap closed to 2 percentage points. Over the four weeks to April 8, 55.5% of hoggings graded at R3L or better, compared with 59% in the same period last year.

Following a prolonged period of stability at 166-170p/kg lwt, the average prime sheep SQQ price surged to 184p/kg at Scottish auctions in the final week of March. This was demand driven, as marketings also rose sharply during the same week. With high prices attracting producers to sales, the market cooled at the beginning of April,

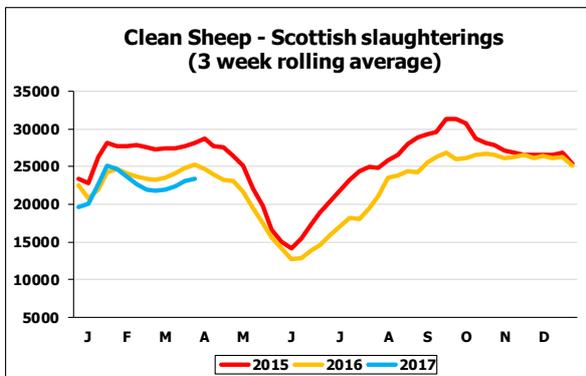
slipping back to 171.5p/kg. However, firm seasonal demand pushed the trade higher again by 5p in the second week of April when volumes slipped back.

¹ SQQ (Standard Quality Quotation) are lambs weighing 12-21.5kg dwt and 25.5-45.5kg lwt. A standard carcass weighs 12-16.4kg dwt and a medium carcass from 16.5-21.5kg dwt.



While farmgate prices may have been lower than last year by around 10% in sterling until recently, they have been underpinned by the relative weakness of sterling. Indeed, in euro terms, prices had been running 15-20% lower than last year until late March, suggesting that without a weaker sterling, prices may have come under even greater pressure. A weak sterling has also pushed up the price of imports from New Zealand.

GB auction market data for March indicates that the increased carryover of hogs into 2017 underpinned auction volumes, pushing them 4.5% ahead of 2016 levels. In the four weeks to March 29, 469,900 lambs and hogs were sold. By contrast, Scottish auctions sold 2.5% fewer hogs than in March 2016 with numbers easing back to 92,400 head. 60% of the prime sheep sold at GB auctions were within the 25.5-45.5kg lwt SQQ range during March, down from 64% a year earlier. In Scotland, the proportion fell by five percentage points to 66%.



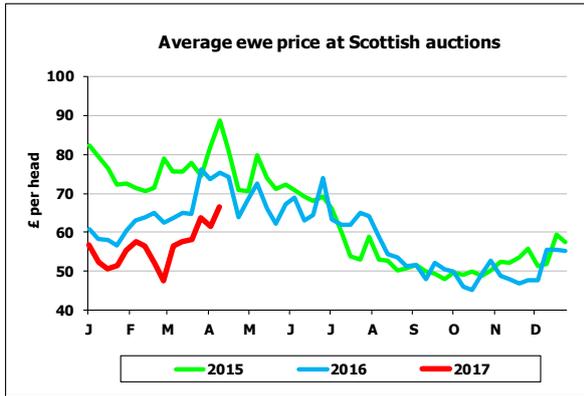
Prime sheep slaughterings at Scottish abattoirs fell by an annual rate of 7% in March with numbers falling to 114,700 head. This marked an increased rate of decline compared to January and February's 4%. An average weekly kill of 22,900 head meant that each week around 1,700 fewer hogs were processed than a year earlier. However, weekly numbers did lift by around 550 head (2.5%) from February.

The average carcass weight of the prime sheep handled by Scottish abattoirs during March was 20.6kg. Compared to a year earlier this was an increase of 0.4kg (2%), limiting the decline in production volumes to 5%.

Defra slaughter statistics for March indicate that 919,800 prime sheep were slaughtered by E&W abattoirs during the month. When converted into a daily average, this was 4% higher than in February, but 5% below year earlier levels, having exceeded 2016 in the first two months of the year. DAERA reported that 25,400 hogs were slaughtered at NI abattoirs during March. Although the weekly average contracted by nearly a third from February, throughput held above 2016 levels by 2.5%.

Defra estimates that the average prime sheep carcass weight at UK abattoirs rose by 0.4kg seasonally between February and March to reach a two-year high of 20.3kg. Compared to the same month last year, this was a considerable increase of 0.9kg (5%).

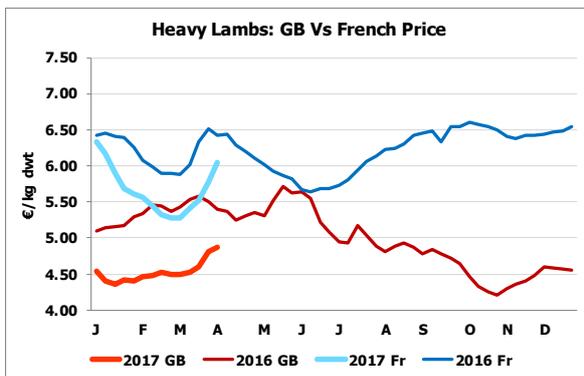
During March, daily average mature sheep throughput at E&W abattoirs was 4.5% lower on the month and 17% lower on the year; the third consecutive month to show a significant annual decline.



The cull ewe trade has followed its seasonal trend through March and into April. With weekly marketings falling back and demand lifting, prices have risen strongly, from £47.50/head in the final week of February to £66.50 in the second week of April. Nevertheless, prices remained 12% lower than last year.

GB households are estimated to have bought 9% less lamb during the 12 weeks to January 29 than in the corresponding period 12 months

before. Volumes continued to decline in the early weeks of 2017 following a sharp decline in late 2016. Given falling retail prices for competing proteins, a higher retail price for lamb by around 2% may help explain the decline in sales. 34% of households bought lamb over the period. Whereas lamb mince showed a 5% increase, other cuts fell sharply with chops/steaks down 9%, leg roasts down 10%, and shoulder roasts down 16%. However, ready meals containing lamb have shown increasing popularity over the past 12 months and were up by 15.5% in the 12 weeks to late January.



After falling sharply in the early part of 2016, the EU average for heavy lambs² has reversed course since the beginning of March, ending the month 5.5% higher than it closed February, at €4.81/kg dwt (414p/kg). Rising demand in the run-up to Easter has driven the market, pushing prices marginally higher than their pre-Christmas peak. Holland, France, the Irish Republic, Belgium and Sweden led the recovery, with prices advancing by 7-11%. Meanwhile, the GB average firmed by 6% in

euro terms. Elsewhere, the gains were more muted, at 2% in Germany, but only marginal in Romania, NI and Spain.

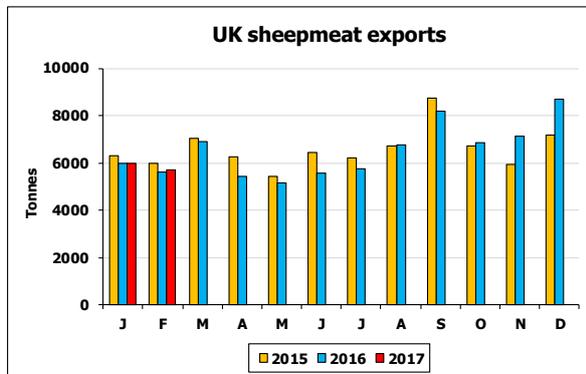
Despite the recent rebound, the EU heavy lamb average still fell 9.5% short of its year earlier level at the end of March. There were above average euro terms declines of 10-13% in France, GB, NI, the Irish Republic and Belgium; and of 17.5% in Romania. The Dutch average fell by a below average 4%, and the Spanish average was 1% below its year earlier level. By contrast, the German market edged up and Swedish prices exceeded 2016 levels by 1.5%.

In contrast to the heavy lamb market, the EU light lamb³ average continued to slide up until mid-March before edging higher to finish the month at €4.94/kg dwt (426p/kg); still 1.5% short of their late February average. This was largely down to the previous sharp fall in Spanish prices, which remained 12.5% below their February-ending level, at €5.09/kg (439p/kg). Croatian prices were also lower on the month, by 10%, but elsewhere the market firmed. Indeed, prices were up marginally in Bulgaria, by 1.5% in Portugal, 5.5% in Greece, 11% in Hungary and 12% in Italy.

² The EU defines a heavy lamb carcase as weighing greater than 13kg

³ The EU defines a light lamb as a carcase weight of less than 13kg

Light lamb prices in most EU countries remained considerably lower than last year at the end of March. The overall average was down by 15%, driven by a 27% fall in Spain. Meanwhile, prices trailed year earlier levels by 4% in Greece, 7.5% in Portugal, 9% in Italy and nearly 10% in Hungary. However, Bulgarian prices matched late March 2016 levels and the Croatian average showed a 12.5% increase.

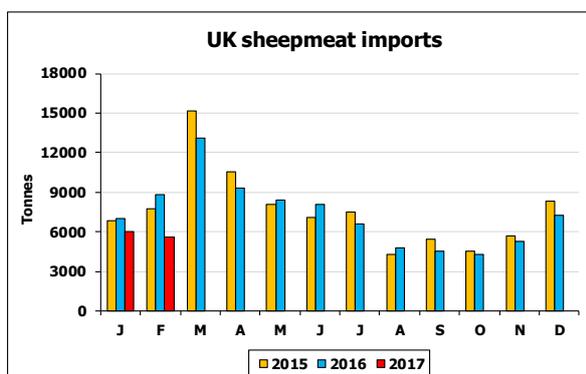


After falling fractionally short of 2016 levels in January, UK sheepmeat exports moved slightly in front of a year earlier in the second month of 2017, up 2% to 5,700t. This was an estimated 23.5% of UK abattoir output, down half a percentage point on the year.

UK sheepmeat exports to EU member states rose by 0.7% year-on-year during February to 5,400t, thereby accounting for 96.5% of monthly shipments. Although trade with

France contracted by 14% to 2,500t, this shortfall was more than made up by increased sales to Germany, Italy, Holland, Ireland, Austria and Portugal. However, Belgium, Denmark, Spain and Sweden also disappointed.

UK sheepmeat exports to non-EU countries fell by 22% year-on-year in February to less than 210t. The largest of the non-EU markets, Hong Kong, bought 62% of the total, but volumes exported there fell 4% on the year.



February was the sixth consecutive month in which UK sheepmeat imports fell short of their year earlier level. Volumes contracted heavily, down 37% at 5,600t; a five-year low for the month. One factor contributing to this decline will have been a later Easter, pushing the delivery profile for imports back by around three weeks from 2016.

4,200t of sheepmeat arrived in the UK from New Zealand (NZ) during February.

Compared to a year earlier, this was a sharp decline of 43%, resulting in its share of total imports sliding by 8 percentage points to 75%. The average value per tonne that arrived from NZ was up 16.5% year-on-year at nearly £4,800/t. Meanwhile, imports from the second largest supplier, Australia, fell by 12.5% to less than 800t. However, this raised the Australian share of imports by four percentage points compared with February 2016, reaching 14%. The average value of imports from Australia rose by 17.5% on a year earlier to £4,300/t.

In terms of the smaller suppliers, sheepmeat imports from Ireland rose marginally to just over 370t, but imports from Iceland fell by 4.5%.

News Round up

The Irish Republic has seen an increase in lamb throughput relative to last year at its export abattoirs during March and into April. During the six weeks to April 8, 252,500 lambs were processed, up more than 6.5% on the 236,600 slaughtered during the corresponding period of 2016. In Ireland, slaughterings lift considerably in the run up to Easter, traditionally peaking in the week that ends seven days before the Easter weekend. This year, 48,150 lambs were processed in the first week of April, compared with 45,200 at the 2016 peak and 42,500 in 2015. However, the 2017 peak week exceeded the Q1 average weekly slaughter volume by less than 15%, compared with 18% in 2016 and 19% in 2015. This reflects the larger carryover of hogs into 2017.

French abattoirs slaughtered their highest annual volume of lambs for four years during 2016, with numbers up by around 2.5% at 3.737m head. However, moving into 2017, after a marginal increase during January, throughput dipped back in February, pulling the total kill in the opening two months of the year down 2.5% on 2016 at 551,200 head. Carcase weights averaged slightly higher than last year in January and February, at 18kg, resulting in a smaller 1.5% decline in production volumes to 9,900t. Trade statistics indicate that the decline in slaughterings has been demand-driven. Indeed, there was a considerable increase in live lamb exports during the opening month of the year, while live imports cooled. Furthermore, sheepmeat imports dipped slightly.

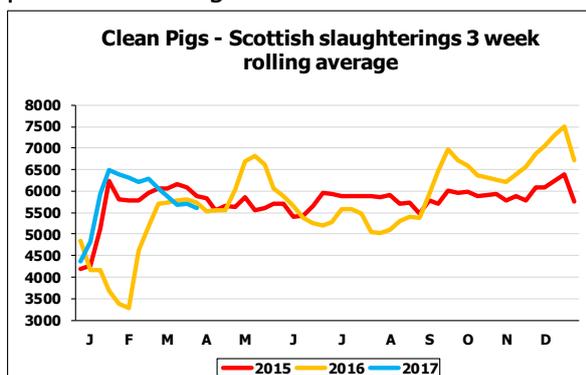
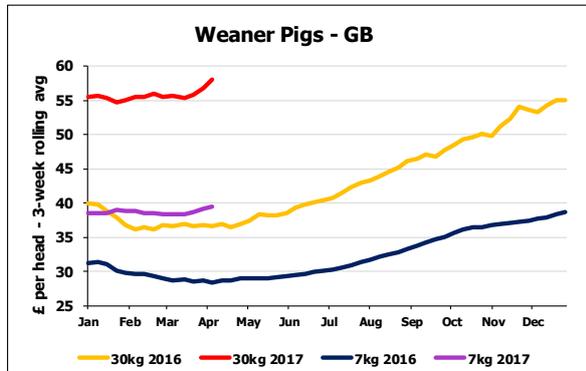
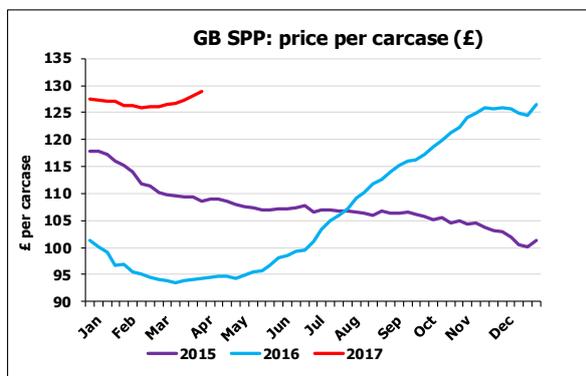
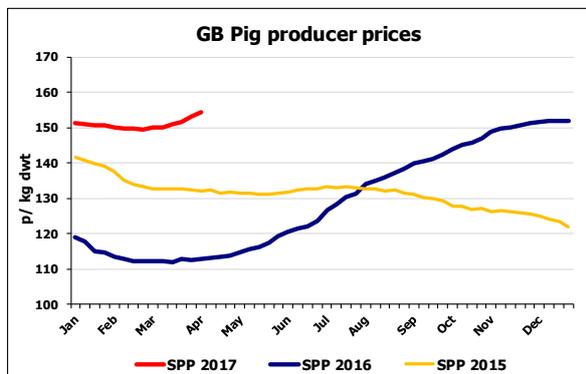
Following nine consecutive monthly declines in slaughterings, February saw a rise in throughput at NZ abattoirs. The total number of lambs processed rose by 13% year-on-year to 2.677m head; a three-year high for the month. A slightly higher average carcase weight of 18.1kg meant that this produced an estimated output of 48,450t of lamb, 13.5% above the year earlier volume. However, during the first five months of the October 2016 to September 2017 season, slaughterings still trailed year earlier levels by just under 6%, with production down by 5%.

Tight supplies in NZ have pushed up farmgate prices relative to last year by a significant degree in 2017. In early April, the average 17.5kg carcase traded at \$NZ 5.75/kg (320p/kg) on the North Island and \$NZ 5.50/kg (310p/kg) on the South Island. These were respective year-on-year increases of 16% and 18% in local currency, but when converted into sterling, prices have been trading up by more than a third year-on-year this spring. According to the NZ Farmers Weekly, higher farmgate values have passed through to the wholesale market, with lamb legs for shipment to the UK also trading 18% higher than last year in local currency and 36% higher in sterling, trading at \$NZ 8.46/kg (470p/kg).

In an April update to its sheep industry projections, Meat and Livestock Australia (MLA) is forecasting a more pronounced tightening of supply than previously expected. With producer prices running around 25% above year earlier levels, at the equivalent of around £4/kg dwt, increased numbers of producers are expected to retain gimmers for future breeding. Consequently, at 21.5m head, annual slaughterings are forecast to fall 6.5% short of 2016 levels and to slip to a five-year low. Previous expectations had been for a smaller decrease of around 4.5% to 22m head. However, higher carcase weights, due to improved rainfall, are likely to provide a small offset, limiting the decline in production volumes to less than 6%. It has been anticipated that tight supplies will limit export opportunities this year, with volumes projected to decline by 7% to 225,000t; a four-year low.

Pigs

Prices and Supplies



After cooling slightly at the beginning of 2016, the SPP stabilised in the second half of February before edging higher as March began. Since then the market has gathered pace with prices rising by 1.5p/kg in both the final week of March and first week of April. This lifted the SPP to 154.5p/kg dwt; 5p (3%) above its end of February low point, and around 3p (2%) higher than at the turn of the year. Compared to the beginning of April 2016, this was an increase of 42p (37%). Industry sources point to spot prices rising above contract levels, signalling that demand for home-produced pigs exceeds supply. On the numbers side, the three-week rolling average SPP reporting sample fell back through February and the first half of March, but has since been edging higher again.

Although carcass weights have been sliding seasonally, the rise in price per kilo has been sufficiently strong to raise the average SPP carcass price. At £128.98 in the first week of April, the average carcass was £3.03 (2.5%) dearer than its mid-February low, £1.55 (1%) higher than at the beginning of 2017, and £34.44 (36.5%) above its year earlier level.

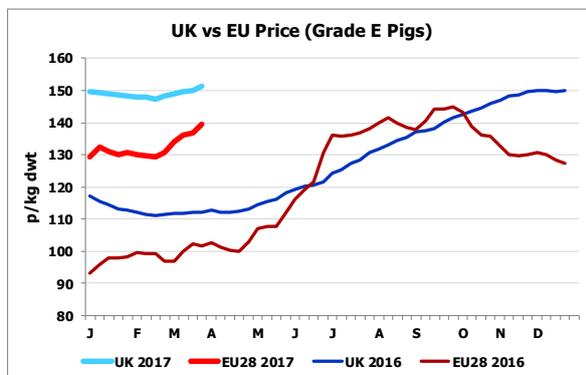
After lacking direction for most of Q1 2017 the weaner trade has picked up in line with the finished market since mid-March, reflecting tight supply. As a result, the three-week rolling average for a 30kg store pig began April at £58 per head; around £2.50 above its January to mid-March level. Meanwhile, the 7kg weaner price added £1 over the same period to trade at £39.50. Compared to early April 2016, 30kg weaners traded 57% higher, with the 7kg average running 38% higher. This has pushed the 30kg weaner to 45% of the finished carcass price, up from 39% of it a year ago, and held the 7kg price at 31% of the finished price.

Provisional pig slaughter data for March points to a marginal decline at Scottish abattoirs, with numbers down 0.1% year-on-year at 28,200 head. This works out at an average weekly kill of 5,650 head, down 9% on February, and the lowest level since August 2016.

Defra slaughter statistics for March show that E&W abattoirs killed 741,900 prime pigs. After adjusting for working days, numbers were 1% higher than in February, but trailed year earlier levels by nearly 12%. This was the seventh straight month to show a year-on-year decline. Meanwhile, the sow kill is estimated to have trailed year earlier levels for the eighth time in nine months; and by more than 15% for the third successive month. It is plausible that the recovery in farmgate prices is encouraging producers to expand their herds. DAERA figures indicate that despite the weekly average kill sliding by 3.5% between February and March, prime pig slaughterings in NI were 7% ahead of 2016 levels during March at 155,350 head. 11% more home produced pigs were slaughtered than in the same month of 2016, but 3% fewer were imported. As a result, the share of home produced pigs in the total rose from less than 72% in March 2016 to 74.5% this March.

According to Defra, there was a seasonal decline in prime pig carcase weights between February and March, with the UK average slipping by 0.7kg to 83.2kg. This left it 0.4kg (0.4%) above year earlier levels.

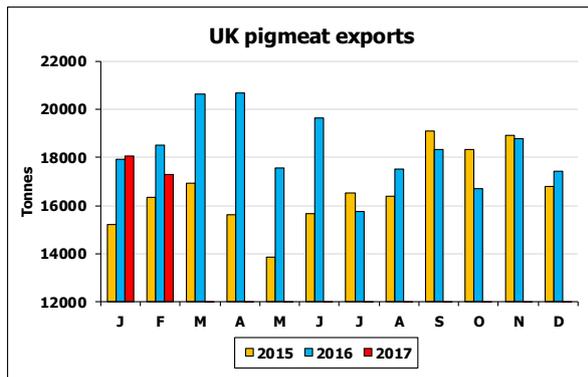
In the 12 weeks to late January it is estimated that GB households bought 3% less pork than in the same period 12 months before. This fall once again occurred despite the average retail price falling by around 2%. Half of GB households bought pork during the period. Not all pork products showed a decline in sales as pork mince, leg roasts and pork belly all rose by 6-7%. These increases were more than offset by lower sales of chops/steaks (-2%), pork ribs (-7%), shoulder roasts (-13%) and loin roasts (-14.5%). Processed pigmeat products performed well, however, with bacon, pork sausages and sausage rolls showing annual gains of 3-4% and sales of sliced cooked meats edging higher. Pork-based ready meals are also reported to have risen, up 9%. Pork pies were one exception; sales are estimated to have decreased by 2% year-on-year.



The EU average for grade E pigs has risen strongly since the end of February, gaining 6% over a five week period to reach a 25-week high of €1.62/kg dwt (139p/kg). From the demand side, industry reports point to Easter, exports to Asia and good weather boosting sales of barbecue products. With a more pronounced than usual seasonal downturn in carcass weights adding to these pressures, the end result has been a run down in cold store inventories.

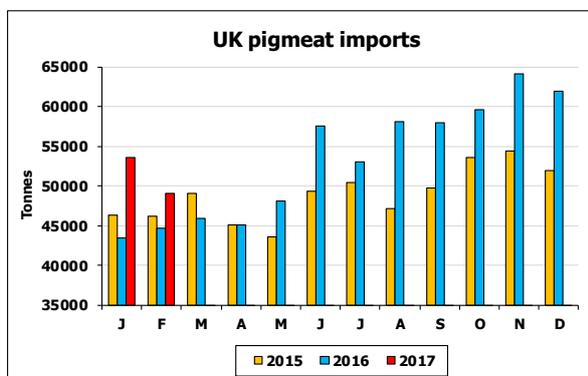
Most of the main pigmeat producing nations in the EU saw farmgate prices rise considerably through March. In the week ending April 2, the price level exceeded late February by 3-4% in Denmark and France; by 7-8% in Belgium, Germany, Spain and Holland; and by 10% in Poland. However, the euro terms gains were a more muted 1% in Italy and the UK.

The recent uplift in the EU prime pig market has pushed prices even further ahead of year earlier levels. After finishing February a fifth higher than in 2016, the EU average closed March at a year-on-year premium of 26%. A number of the main pigmeat producing nations have seen even stronger increases, led by Spain on 32%. Meanwhile, producers in Germany, France, Italy and Holland have all seen above average gains of 27-28%. However, Belgian prices have risen in line with the average, while there have been slightly slower euro terms increases of 23-24% in Poland and the UK. Denmark has been the laggard, with prices up 19% year-on-year.



UK pigmeat exports fell by 6.5% year-on-year in February, slipping to 17,300t. A 10% decline in sales of fresh and frozen pork, to 15,700t, was partially offset by a substantial 55% increase in exports of cured pigmeat, which reached 1,600t. UK exports were equivalent to just under 23% of abattoir production in February, compared with just over 23% 12 months before.

In February, there were significant year-on-year declines in pork exports to Holland (-31.5%) and Germany (-33.5%), plus a 4.5% fall in shipments to Ireland. However, exports to Denmark rebounded, rising by 22.5%, while trade with China/Hong Kong rose by 10%. This meant that the latter was the largest market, accounting for 27% of monthly volumes.



In February, UK pigmeat imports reached a 6-year high for the month, totalling 49,100t. Compared to the second month of 2016, this was an increase of 10%. Deliveries of pork rose by 23% to 32,200t, but 6% less bacon & ham was imported, with volumes down at 16,900t. This meant that the share of pork in total shipments advanced by seven percentage points on the year to 65.5%.

Nearly 41% of the pork arriving in the UK during February came from Denmark. At 13,100t, imports from Denmark were nearly two-thirds higher than in the same month last year. However, in absolute terms, this was the smallest monthly volume to arrive from Denmark since May 2016. Ireland, Germany and Spain also delivered more pork to the UK than 12 months before, but imports from Holland fell slightly and they decreased considerably from France and Belgium.

Imports of bacon & ham from the three main suppliers to the UK decreased during February. While deliveries from Germany were 2% lower, there were more significant declines of 8.5% and 10.5%, respectively, from Denmark and Holland.

Feed Market

After a brief spike in the third week of March, feed wheat prices in North East Scotland have settled back down again, averaging £140/t over the next three weeks. This means that over a nine-week period, prices have been between £138 and £141 in eight of them. Compared to April 2016, feed wheat has been trading 35-40% more expensive. Global markets have been edging lower in recent weeks as supply forecasts continue to point towards another strong harvest. There were some concerns that dry conditions in the US would have affected winter wheat crop development, but reports suggest that the crop is in good condition. In the UK, rising wheat use in poultry feed has offset the downwards pressure from global factors, holding the market steady. For feed barley, prices rose slightly in late March to trade at £120/t in North East Scotland. However, since April began they have cooled slightly, trading at £118/t on April 12. This puts them 23% above year earlier levels. The slower annual increase for barley than for wheat may reflect a small decline in barley usage in animal feed.

The soyameal market has cooled in recent weeks with prices for Brazilian imports sliding from around £340/t in February to £325/t in March and £315/t in April. Indications are that soyabean planting in the US has risen strongly as producers favour it over maize, while existing inventories remain high. Meanwhile, the Argentine harvest is reportedly progressing well and Brazil is expecting another bumper crop. Falling prices have meant that the year-on-year differential has narrowed to less than 15%, compared with 25-30% for much of Q1 2017.

News Round up

In its half-yearly global production forecasts, the USDA has forecast a 0.8% rise in global pigmeat production in 2017. This would see volumes recover from two years of small declines to reach 110.7m tonnes. Although China is set to remain the largest pork producer, its production is expected to decline for a third successive year, down 0.5% at 52.75m tonnes. This would result in its share of global production falling further, to 47.5%. In 2013 and 2014 it had been around 51%. Elsewhere, production is forecast to edge higher for a second year in the EU, to 23.45m tonnes, but grow more significantly in the US (4.5% to 11.8m tonnes), Brazil (3% to 3.8m tonnes), Russia (4.5% to 3m tonnes) and Vietnam (3% to 2.75m tonnes). Growth is also anticipated for the Philippines and Mexico, but production is forecast to slide in Canada, Japan and Korea.

At 3.548m head, Danish producers exported 8% more live pigs during the three months to January 2017 than in the same period 12 months before. Meanwhile, slaughterings of finished pigs declined at an annual rate of 6.5% over the same period, slipping to 4.333m head. However, since the average carcass weight increased by 1.6kg to 86.9kg, the decline in abattoir production was limited to 4.5%, with volumes slipping to 376,700t.

Japan imported 5% more pork during the first two months of 2017 than in the same period of 2016. Volumes rose to 144,350t. Of this total, 30% was supplied by the USA, 21% from Canada, 13% from Denmark, 11% from Spain and 9% from Mexico. Shipments from the USA, Canada, Mexico and Spain rose by 6-13% on a year earlier, but trade with Denmark flat-lined. Across all EU suppliers, volume growth was limited to just 1% to 53,150t. Member States selling less pork to Japan than in early 2016 included Holland and Italy, whereas Germany and Ireland managed to gain market share.

According to the country's Ministry of Agriculture, following eight consecutive weekly declines the wholesale pork price in China edged higher at the beginning of April. Nevertheless, at an average of 22.14 yuan/kg (£2.57/kg), pork was 11% cheaper than at its early February peak and down 14% year-on-year. Though, due to the legacy of the sharp increases of the spring and summer of 2015, pork was still 27% dearer than two years ago. Pork remained competitively priced against beef and sheepmeat, trading at 41% and 47.5% of their respective wholesale prices, but continued to look expensive compared to chicken, which traded at only 13.54 yuan/kg (£1.57/kg).

Iain Macdonald – April 2017

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