



Monthly Market Report

April 2018

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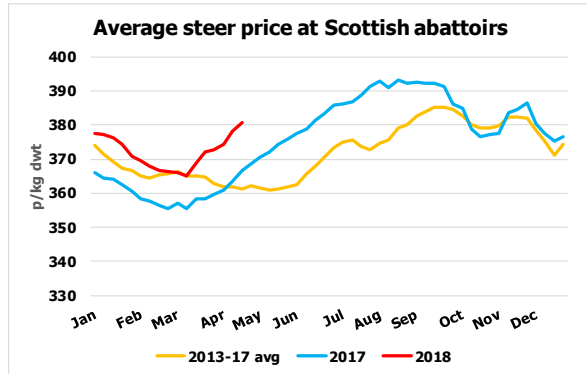
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MARKET REPORT - April 2018

Cattle

Domestic Market

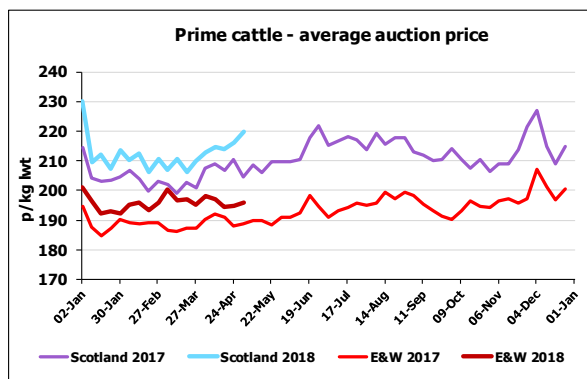


Prime cattle prices have followed a similar seasonal trend to 2017 this year, rising in March and April. After slumping to an eleven-month low of 365.1p/kg in the second week of March, six successive weekly increases in the average steer price saw it reach a 21-week high of 380.6p/kg in the final week of April. Compared to the same week last year this was an increase of 3.8%, while it was 5.3% above its five-year average. Meanwhile, the average price paid for an R4L grade steer also climbed

to a 21-week high at the end of April. At 384.9p/kg, it was up 3% year-on-year.

The number of prime cattle processed by price reporting abattoirs fell seasonally between March and April. Numbers were 6.4% lower in the four weeks to April 28 than in the four weeks to March 31, and even an adjustment taking account of Easter would suggest a 4.1% decline. Relative to last year, volumes were relatively stable, down 0.1%. However, there was significant volatility between categories as a 5% increase in heifers was more than offset by a 0.5% fall in steers and a 23.6% decline in young bulls.

The premium for an R4L steer in Scotland over the England & Wales (E&W) R4L fell back to around 1.5% in March having fluctuated around the 2-3% level in the early weeks of the year. April saw this premium widen again, beginning the month at 2% and ending it at 3%. R4L steers at Scottish abattoirs averaged around 1p/kg more than -U4L steers, whereas -U4L heifers showed a premium of around 5p/kg over R4L heifers. This suggests that -U grade steers continue to face pricing penalties due to heavy carcass weights.



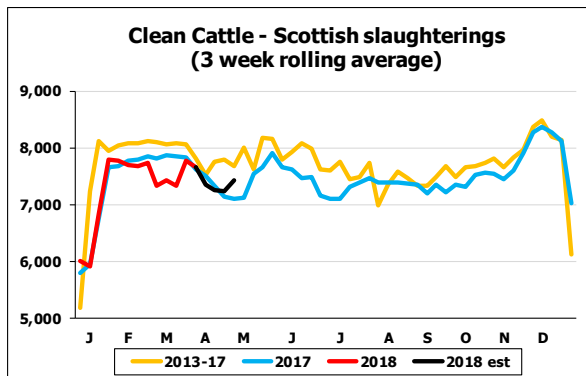
The average prime cattle price at Scottish auctions rose in April, moving away from its previous stability around the 210p/kg mark. From 209p/kg in the final week of March, the three-week rolling average prime cattle price had risen to 217p/kg by the end of April. Prices traded at their highest since the festive period and were up 4.6% year-on-year. Underpinning prices is likely to have been a tightening in numbers with marketings falling by 9.8% from the previous four week period

during the four weeks to May 2 and by 8.1% year-on-year.

Slaughter statistics for March 2018 are based on a four-week statistical month for Scotland and Northern Ireland (NI), running from March 4 - March 31. For (E&W), slaughterings are based on the calendar month and have been adjusted for working days.

Scottish Government slaughter statistics reported a return to year-on-year growth in prime cattle slaughterings in March. At 31,000 head, numbers were up 0.8% on March 2017 with

the public holiday for Good Friday having little impact on processing in the final week of the month. By contrast, DAERA figures show that the NI kill fell marginally behind year earlier levels, down 0.2%. Meanwhile, throughput continued to increase at abattoirs in E&W, rising 3.6% after applying a working-day adjustment.



March slaughter statistics for Scotland show that the overall increase was driven by heifers. While 2.7% more heifers were processed than in March 2017, steer volumes were flat and the young bull kill was down 5.6%. In terms of share of the slaughter mix, all three categories were little different to that seen in February but this did result in differences from March 2017. Whereas heifers increased from 40% to 40.8%, steers fell by 0.4 percentage points to 54.9% and young bulls slipped by 0.3

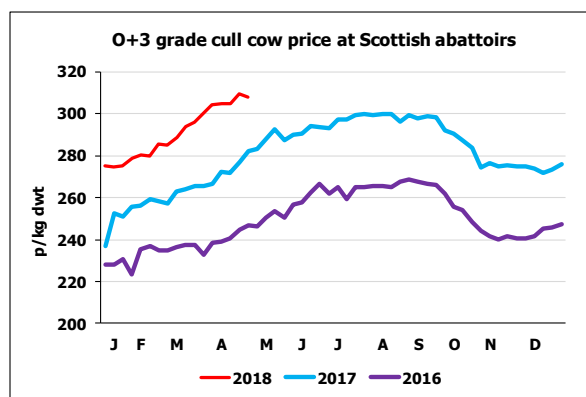
percentage points to 4.3%.

Average carcass weights at Scottish abattoirs (kg)				
	Steers	Heifers	Young bulls	Prime Cattle
March 2018	388.8	349.8	348.3	371.4
February 2018	389.9	351.7	341.2	372.5
March 2017	391.7	352.5	341.0	373.9

The average prime cattle carcass weight at Scottish abattoirs fell slightly between February and March to 371.4kg. This pushed it 2.5kg below its year earlier level - a decline of 0.7%. Monthly falls for steers and heifers were partially offset by a significant increase in young bull carcass weights. The same was true for the year-on-year comparison. Market signals continued to influence steer production, placing downwards pressure on their carcass weights.

The fall in the average prime cattle carcass weight relative to March 2017 offset nearly all of the increase in throughput, meaning that there was only a marginal increase of 0.1% in prime beef production volumes.

During March the average price paid for a prime steer carcass by Scottish abattoirs was £1,431. Although this fell short of January and February levels, it remained higher than in 2017, rising 2.2%. This reflected a 3% rise in per kilo prices set against a 0.7% decline in the average steer carcass weight.



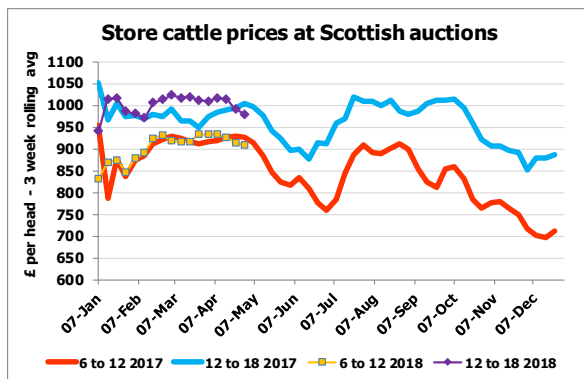
Cull cow prices continued to trend steadily higher through the first quarter of 2018 at Scottish price reporting abattoirs, before signs of stabilising in April. Following a 5.5% increase between late February and late March, the O+3 grade price rose by 1.1% in April to reach 307.9p/kg. This was 9.1% in front of the same week last year. Numbers handled each week in April by price reporting abattoirs were around 6.5% lower than in March, but 23% higher than in April 2017.

The average cull cow auction price in Scotland trended higher through the first quarter of 2018 (Q1) and its three-week rolling average hit a 2018-high of 136.4p/kg in the week ending April 4. Since Easter, prices have softened and the three-week average slipped to 133.5p/kg at the turn of May. After a brief spike around Easter, cull cow marketings have fallen back towards a seasonal low, averaging 488 head per week in the three weeks to May 2. In the week ending May 2, beef cows, which accounted for 57.4% of marketings, averaged 146.8p/kg while dairy cows sold for 113.4p/kg.

Scottish abattoirs processed just under 5,300 mature cattle during March with numbers falling slightly short of March 2017 levels. By contrast, DAERA statistics showed a 16% lift at NI abattoirs while Defra figures point to a 7% increase in E&W.

Having trailed year earlier levels in 33 out of the previous 34 months the average carcass weight for a cull cow handled by Scottish abattoirs increased marginally in March, up 0.1% at 342.8kg. This reflected a smaller slide than had been seen last year between February and March.

Store Cattle Market



Store cattle prices came down from their seasonal high as April progressed. The three-week rolling average for 6-12-month steers ended April at £908 per head, down from £934 at the end of March, while 12-18-month steers slipped from £1,010 at the end of March to £980 in the final week of April. Prices had peaked slightly later last year meaning that the market dipped around 2% below 2017 levels in late April, having been higher year-on-year throughout most of the first quarter of

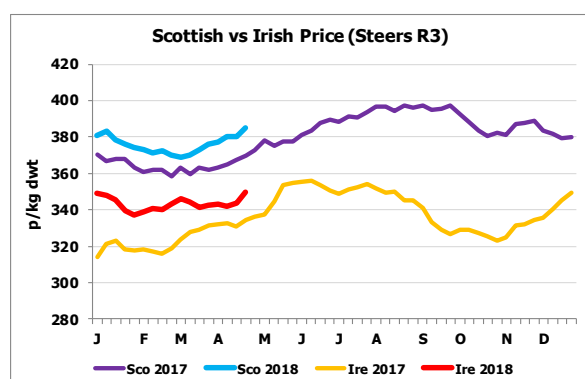
2018. Marketings reached their 2018-to-date peak in the opening week of April. Although they have since slipped back, they held at around the levels seen throughout March. In the three weeks to April 28, 1,900 younger steers and 1,800 yearlings were sold on average each week. Relative to 2017 these were respective increases of 5% and 9%.

Retail Sales

In the twelve weeks to March 25, Kantar Worldpanel data points to a 0.6% year-on-year decline in the volume of beef purchased by GB households. This reflected lower spending on beef by GB households (-1.3%) and a small decrease in the average retail price to £7.74/kg. Following a prolonged period of significant declines, beef roasting joints showed a reversal, rising 1.8% year-on-year. The other main categories reported declines during the period with stewing beef down 2%, steaks by 2.4% and mince by 0.8%. Three-quarters of GB households bought fresh and frozen beef during the period.

Processed beef products posted mixed results for the twelve-week period ending on March 25. Sales of chilled ready meals rose by 0.8% with frozen ready meals up 10.7% and pasties rising by 6.3%. By contrast, there was a small decline of 1.3% for burgers and declines of 3.5% for fresh steak pies and 8.7% for frozen steak pies.

EU/International Market Prices



After initially dipping in 2018, Irish prime cattle prices have trended higher since early February. Between then and the end of April the average price paid by abattoirs for an R3 grade steer rose from €3.83/kg (344p/kg) to €4/kg (352p/kg). During April prices rose by 2.2%, leaving them at a 10-month high and up 1.1% year-on-year.

When converted into sterling, Irish prime cattle prices have been more stable this year.

A slight drift higher in sterling offset euro terms price increases through March and into April on the back of positive developments in Brexit talks. However, a renewed weakening of sterling at the end of April as a Bank of England interest rate increase became less likely pushed up the sterling price of Irish cattle in the final week of the month, returning it to its 2018-opening level. With sterling remaining weaker than a year ago, a year-on-year increase of 1.1% in euro terms converts into a 4.6% increase in sterling. The differential between prime cattle prices in Scotland and the Irish Republic has been relatively stable at 10-11% most weeks in 2018-to-date, except for a short-lived narrowing towards 7% in mid-March. While significantly below its autumn 2017 peak of 17-18%, it ended April at a similar level to last year.

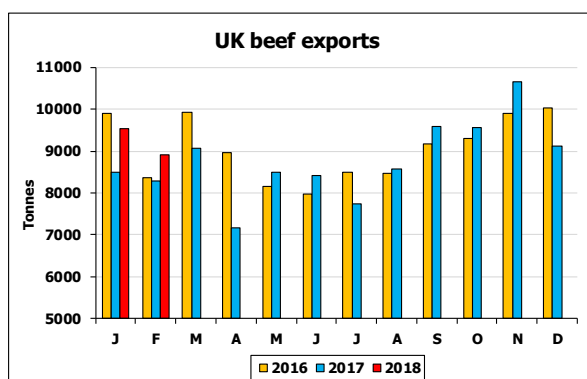
Following some downwards pressure in the early weeks of the year the EU average for an R3 grade young bull steadied through March and into April before sliding again in the second half of April. A 1.7% slip during April saw it drop to a seven-month low of €3.82/kg (337p/kg), which left it only 0.2% above its year earlier level.

Having trended higher through Q1 2018, the EU average O3 grade cow price ran out of steam in April, stabilising at €3.04/kg (268p/kg). This was up 4.8% year-on-year.

International cattle price comparison (p/kg dwt)						
	Steer/Young bull (R3)			Cow (O3)		
	w/e 29/04/18	% change Vs 01/04/18	% change y/y	w/e 29/04/18	% change Vs 01/04/18	% change y/y
Scotland	384.9	+2.3	+4.0	301.7	+0.9	+10.5
E & W North	369.9	+0.7	+4.9	282.6	+0.7	+6.5
E & W Central	369.4	+0.7	+4.1	286.9	+1.0	+6.4
E & W South	369.9	+0.9	+2.7	287.5	+0.6	+8.1
NI	363.8	+1.2	+1.9	292.0	+2.2	+1.9
RoI	349.5	+2.1	+4.6	295.6	+2.2	+6.7
Belgium	262.5	+0.3	+6.3	251.1	+4.0	+12.6
France	321.4	-2.1	+1.9	277.2	-0.4	+0.6
Germany	342.4	-3.0	+9.7	281.1	+0.4	+11.3
Netherlands	301.7	+2.9	n/a	264.1	-1.4	+19.9
Spain	338.1	-2.1	+6.9	198.9	-4.4	+7.7

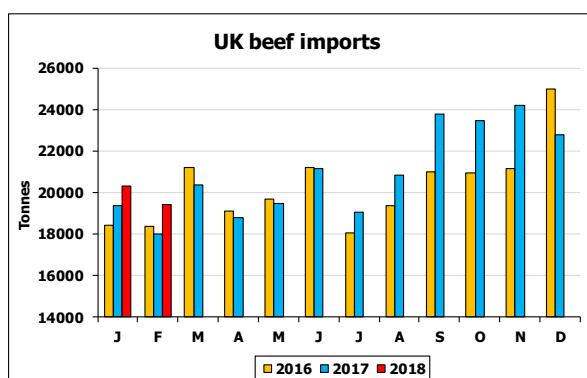
Poland	300.4	+0.8	+10.0	262.1	+0.3	+15.0
Italy	362.1	+11.8	+8.8	265.9	-0.9	+13.4
Sweden	381.9	-0.2	-3.9	348.4	-0.2	-2.3
EU28	331.9	+0.1	+5.3	266.0	-0.2	+8.4
EU prices converted at a weekly € value of:	87.5p	87.6p	84.6p	87.5p	87.6p	84.6p
USA	310.5 (steer)	-2.6	-16.2	197.7 (Cutter: 90% lean & >225kg dw)	-0.4	-15.5
Australia	274.5 (EYCI – steers & heifers)	-7.1	-27.0	194.3 (Medium cow)	-14.1	-28.9

UK Export & Import Statistics



Provisional trade data from HMRC suggests that UK beef exports continued to show year-on-year growth in February. Following a 12.5% increase in the opening month, February volumes were up 7.4% on last year at 8,900t. This kept them marginally in front of their 2013-17 average for the month. Exports are estimated to have been equivalent to 12.2% of UK beef production in February, up from 11.8% in the first month of 2018 and from 11.7% in February 2017.

UK export growth in January was driven by the EU market with sales up a fifth on last year at 8,800t. Trade with the Netherlands rose by 16.4% to 2,400t while exports to Ireland advanced by 31.1% to reach 3,200t. Belgium, France, Germany and Italy also showed growth.



In contrast to the EU market, UK exports to non-EU countries contracted heavily in the opening month of 2018. Shipments outside the EU slumped to a two-year low of 610t and were down by 47% on the first month of 2017. Trade with Hong Kong declined by 38% to 285t, but sales of low value cuts to Ghana did pick up strongly, reaching 120t.

January was the sixth time in seven months that the volume of beef imported to the UK exceeded year earlier levels. At 20,000t, volumes showed an annual increase of 3.1%. In addition, this was 5% above the 2013-17 average for January and was a 14-year high for the month. However, there was a considerable rebalancing of import product type with frozen rising by 32.6% to 7,000t whereas fresh deliveries fell 8% to 13,000t. Respectively, these

were a 13-year high and 8-year low for January and meant that fresh beef accounted for 64.9% of imports, compared with 72.8% in the first month of 2017.

Imports of beef to the UK from EU Member States rose by 2.4% year-on-year in January to 18,600t. This was a slightly reduced 93% share of the monthly total, compared with January 2017's 93.6%. Whereas imports from the main supplier, Ireland, rose by 4.7% to 14,600t, trade with Poland and the Netherlands contracted, down 19% and 7%, respectively, to 980t and 1,250t. Looking more closely at the Irish figures shows that while imports of fresh product declined by more than 8%, this was more than offset by a 45% increase in frozen shipments. Ireland's share of UK imports rose by 1.1 percentage points on the year to 73.2%.

Imports to the UK from outside the EU rose at an annual rate of 12.8% in January, climbing to 1,400t. Although Australia was the largest non-EU supplier, at 315t, volumes were down 16% on the first month of 2017. However, deliveries from Namibia more than doubled to 300t. Botswana also increased its shipments to the UK, but imports from Brazil flat-lined while there was a sharp fall from Uruguay.

Global Market Round Up

In the four weeks to April 21 the prime cattle kill at Irish export abattoirs picked up by 1.7% relative to the previous four weeks and exceeded year earlier levels by 8%. During the period numbers totalled 99,750 head. Although the weekly average kill during this period fell 2.5% short of the average for the opening 16 weeks of 2018, this seasonal decline was well below the 7.4% decrease seen in 2017. All three categories showed year-on-year increases; steers by 5%, heifers by 13.1% and young bulls by 5.8%. As a result, the steer share of the prime kill dropped by 1.5 percentage points on the year to 48.8% and the young bull share dipped by 0.2 points to 12.9%, but heifers rose by 1.7 points to account for 38.3% of the kill. These compare with respective shares for the year-to-date of 44.5%, 17.7% and 37.8%.

In late April the EU Commission announced that it had reached agreement with the Mexican authorities over a modernisation of an existing trade agreement between the two parties which entered force back in 2000. The two sides began to discuss modernisation in 2013 and official talks began in 2016. Within the agreement 340 EU GIs are to be protected in the Mexican market, including Scotch Beef but not Scotch lamb. Mexico will receive quotas for access to the EU market of 10,000t of beef and 10,000t of beef offal. These will be phased in over five years with both at reduced tariffs of 7.5%. In terms of non-tariff barriers, there is a commitment in the agreement to make it easier for trade to happen. This includes the removal of a previous Mexican requirement for EU premises to be audited individually before approval for export, with countries now being able to draw up a list of export premises once their food safety system has been checked by the Mexican authorities.

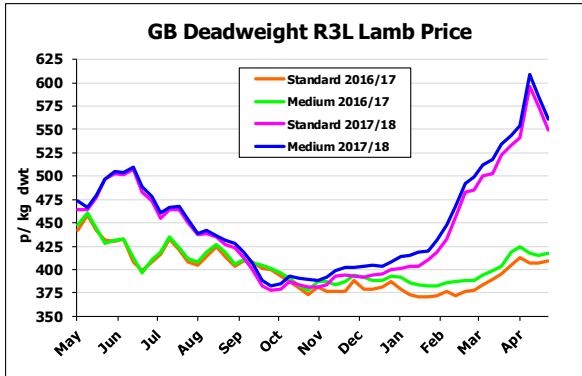
USDA's cattle on feed report for April showed an annual increase of 7.4% in the population of cattle on US feedlots on the first day of the month. The total of 11.729m head was the second largest April 1 population since records began 22 years ago. During the month, 1.921m cattle were placed in feedlots while 1.84m were marketed and another 67,000 left feedlots either destined for other feedlots and farms or due to mortality. This led to a 0.1% increase in the feedlot population during March, compared with a 1.4% monthly increase in March 2017 as numbers placed fell more quickly relative to last year than marketings. Indeed, the former fell by 9.3% while the latter decreased by 3.9%. As a consequence, the rate of year-on-year fed cattle population growth dipped back from March 1's 8.8%. On April 1, the three states with the largest feedlot capacity - Texas, Nebraska and Kansas - accounted for 66% of the national total.

Beef production opened 2018 well above year earlier levels at Australian abattoirs. During the first two months of the year the total number of adult cattle processed rose by 10.8% to 1.15m head. Carcase weights also averaged higher, by 5kg (1.7%) at 300.6kg, resulting in a 12.7% lift in beef production from adult cattle to 345,700t. Meanwhile, veal production rose by 1.5% to 2,170t as lower carcase weights partially offset a 6.2% increase in calf throughput. Within the adult cattle mix, females rose at more than double the rate of males, pushing up their share of the total to 45.6% from 43.7% in the first two months of 2017. This was a three-year high, but remained well below 2015's 49.3% share, suggesting return to a more normal level rather than the beginning of a period of herd liquidation. Higher carcase weights would also point against a liquidation cycle.

Brazil's beef export volumes have made a firm start to 2018, growing 14% year-on-year in January and then by 24% in February. In the two-month period, shipments reached 197,730t; a 19% increase from 2017. There was also some value growth with the average price per tonne shipped rising by 1.5% in US dollars to \$4,140/t (£3,050/t). China/Hong Kong was by far the largest destination, accounting for 48.4% of shipments, up from 35.8% in the same period of 2017, due to an expansion of 60.7% to 95,650t. Sales to China/Hong Kong were close to the average value per tonne for all destinations. By contrast, Brazil tends to ship higher value product to EU countries. The main European destinations in the opening two months of 2018 were Italy and the Netherlands, taking delivery of a respective 3,950t and 3,100t at average values of \$6,715/t (£4,940/t) and \$8,535/t (£6,280/t).

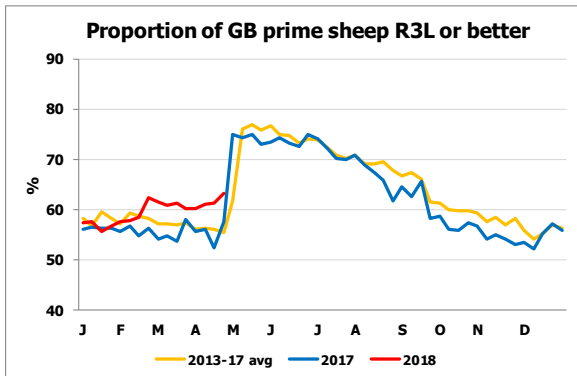
Sheep

Domestic Market

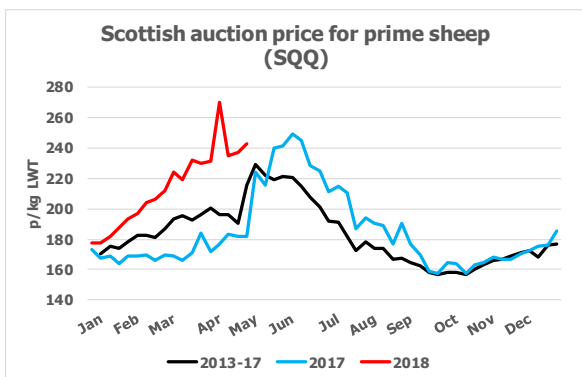


The average SQQ¹ prime sheep price at GB reporting abattoirs fell back in the second half of April following 24 consecutive weekly increases. Nevertheless, at 553.6p/kg dwt, prices still averaged higher than they had closed March, by 3.1%, and were 34.1% higher than in the final week of the 2016/17 season. The volume of hoggs handled by reporting abattoirs fell back considerably after Easter and, in the four weeks to April 28, were

34.4% lower than in March and down 16.9% year-on-year. To even out the timing difference in Easter marketing, a longer eight-week period comparison with last year shows a 1.4% shortfall in numbers in March and April 2018. In the final week of April, standard lamb carcasses averaged 528.7p/kg dwt with medium carcasses trading at a 30p/kg premium to this. However, there was a much smaller premium of 11.6p/kg for a medium R3L carcase over a standard R3L. In early trading for 2018-born lambs, the market has been clearing at around £6/kg dwt, up from around £5/kg in April 2017.



One factor supporting hogg prices at GB reporting abattoirs this spring has been an improvement in quality. Traditionally, the proportion of hoggs grading at R3L or better has trended lower in the first third of the year. However, in 2018, the proportion picked up in February, stabilised, and then lifted through April. 61.4% of hoggs graded at R3L or better during April, up slightly from 61% in February and 55.5% in April 2017.

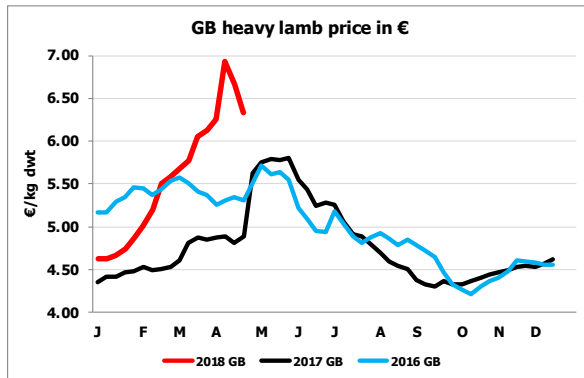


After trending higher for much of Q1 2018 at Scottish auctions the hogg trade steadied at Easter, settling around the 230p/kg lwt mark. However, instead of cooling after the peak Easter procurement period, prices spiked, surging to a weekly average of 270p/kg in the week ending April 11. Prices then slipped back quickly, but the weekly average remained higher than it had been around Easter, before picking up again as April moved into May, reaching 243p/kg. This left the SQQ average

sitting 4.9% higher than at the beginning of April and a third above its year earlier level. During the week to May 2, prices continued to vary significantly across the weight ranges. Lightweight 25.5-32kg hoggs sold for 178p/kg, standard 32.1-39kg hoggs averaged 222p/kg, medium 39.1-45.5kg hoggs traded at 256p/kg and heavy 45.6-52kg hoggs cleared at 251p/kg.

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

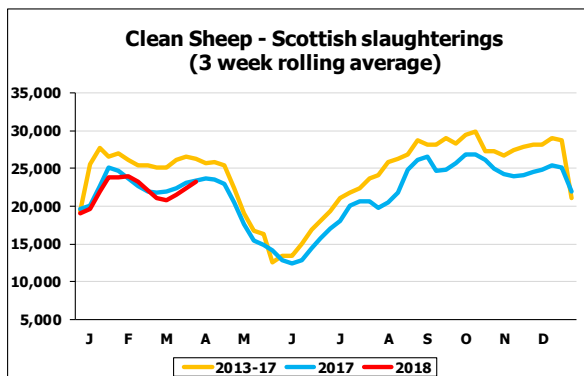
New season lamb volumes remain very low in Scotland but early sales have been making around £3 a kilo.



With GB lamb prices running well above 2017 levels a weaker sterling against the euro has had little offsetting impact. Indeed, the GB heavy lamb price in euro terms was up 27.6% year-on-year in the final week of March, compared with a sterling increase of 29.6%. However, the rebalancing of sterling since the 2016 EU referendum means that GB lamb prices in euro terms have been similar to Easter 2015 levels and 10% higher than in 2016, while being around 20% higher in

sterling than in both 2015 and 2016.

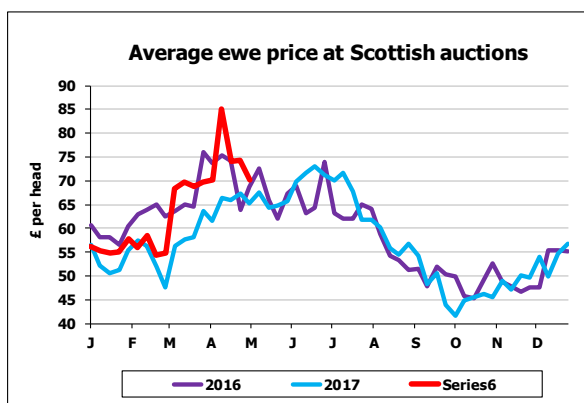
GB auction market data for April shows that numbers tightened relative to last year. 445,500 hogs were sold, down 9.3% year-on-year. However, within this total the number weighing in the SQQ weight range of 25.5-45.5kg rose by 1.2% and accounted for 62.6% of the total compared to 56.2% a year earlier. North of the border, a 7% decrease in hogg marketings was recorded but, like in GB as a whole, the proportion being classed as SQQ rose considerably, up 10.7 percentage points at 73.9%. Early sales of new season lambs across GB have been down significantly on last year, falling 21.7% to 33,000 head in April.



Scottish slaughter data showed a continued year-on-year decline in prime sheep throughput in March. The monthly total of 90,150 head was 2.7% below March 2017 numbers. By contrast, prime sheep throughput in NI rebounded from a significant fall in February to rise by a fifth year-on-year in March. After adjusting for working days, monthly Defra figures showed a sixth successive year-on-year increase for E&W abattoirs, with the growth rate lifting slightly

to 9.9%.

Prime sheep carcase weights averaged a fraction less than in the previous month at Scottish abattoirs during March. This was in contrast to 2017 when they had risen between February and March. As a result, weights averaged 0.3kg (1.5%) lighter than twelve months before. This reflects the auction market data which has been pointing to fewer hogs weighing above



45.5kg lwt this year. Consequently, the volume of prime sheepmeat produced during the month is estimated to have fallen 4.1% below year earlier levels.

Cull ewe prices at Scottish auctions settled at the £70 per head mark in March before spiking in the second week of April to reach £85 per head. Following two weeks at £74, prices cooled back to March levels, averaging £70 per head in the week to May 2. This left the

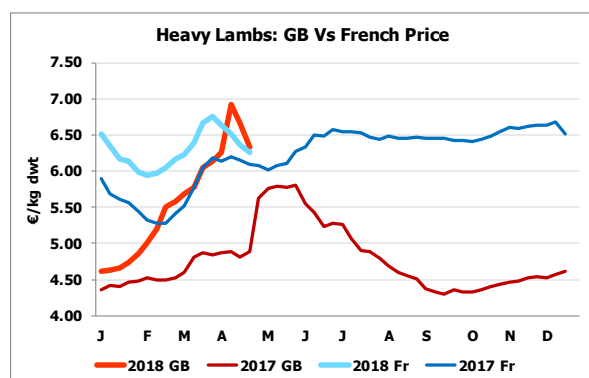
market 7.7% ahead of last year. Marketings have fallen back seasonally, averaging 3,250 head per week in the four weeks to May 2, down from 5,000 head in the previous four weeks. However, this was up 2.5% on last year.

Having fallen sharply for most of 2017 at E&W abattoirs, the mature sheep kill is estimated to have recovered in December before remaining above year earlier levels in Q1 2018. March slaughter data points to a 2.7% increase. The mature sheep kill at Scottish abattoirs continued to grow strongly in March, but from a very low base.

Retail Sales

Kantar Worldpanel figures for the 12 weeks to March 25 signal a slowdown in the decline in lamb sales at GB retailers, with volumes down 1.4% year-on-year compared to falls of 6-8% seen throughout the autumn of 2017 which then continued through the winter. However, this relative improvement in performance reflected the earlier Easter this year bringing forward purchasing. Households spent 3.9% more money buying lamb, but significant retail price inflation meant that it secured a smaller volume. Indeed, the average selling price continued to show an increase of around 5%, trading at £9.26/kg. 33% of households bought lamb during the period. Reflecting the increased popularity of roasting joints at Easter, sales of leg and shoulder roasts rose by 9-10% year-on-year whereas there were falls of 8% for chops and steaks and 11.7% for lamb mince. Lamb-based ready meals fared worse, sliding 16.6%.

EU Market Prices



At €6.07/kg (£5.35/kg) in the week ending April 29, the EU average price for heavy lambs² was up 2.1% on the month. While some Member States saw a post-Easter softening, others saw firm market conditions continue. Most Member States continued to show year-on-year increases although some had seen this rate of growth fall sharply since Easter. Nevertheless, prices in the British Isles continued to underpin the overall average, keeping it 22.4% above year earlier levels. In

sterling, it was more than a quarter higher.

In contrast to the heavy lamb average the EU light lamb³ average has fallen seasonally since Easter, slipping 6.6% on the month to €5.18/kg dwt (£4.56/kg). However, it did remain slightly above 2017 levels, up 2.4%.

Prime sheep prices (€/kg dwt)			
	w/e 29/4/18	% change v 1/4/18	% change y/y
Heavy lambs			
Belgium	593.1	-0.1	+4.8
Germany	595.9	+3.0	+8.3
Spain	521.8	-0.6	+7.4
France	625.0	-7.4	+0.8

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

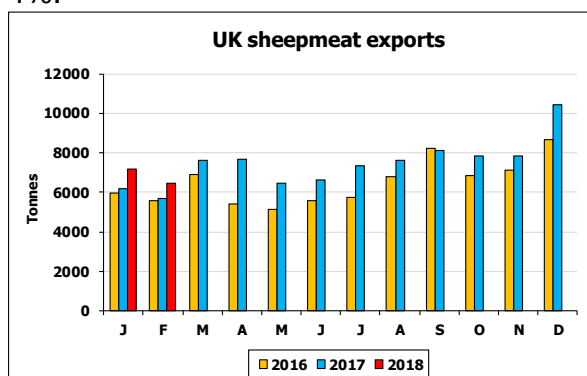
³ The EU defines a light lamb as a carcass weight of less than 13kg

Ireland	603.4	+10.7	+23.4
Italy	518.0	-5.0	+3.2
Romania	287.4	-5.6	+23.2
Sweden	533.5	+5.3	-6.4
GB	632.6	+3.1	+29.5
NI	583.1	+9.5	+24.4
EU	607.2	+2.1	+22.4
NZ (17kg)	411.0	-0.5	+10.3
Light lambs			
Bulgaria	562.4	-10.2	-5.0
Greece	432.5	-6.0	-1.9
Spain	568.8	-0.5	+6.9
Italy	529.0	-22.4	-6.9
Hungary	544.8	-11.3	+6.1
Portugal	550.0	-2.1	+30.3
EU	518.4	-6.6	+2.4

UK Export & Import Statistics

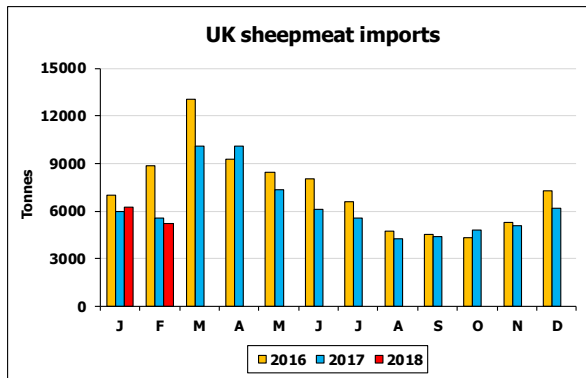
HMRC trade data signalled further strong sheepmeat export growth in February. Provisional figures indicate that UK export volumes exceeded year earlier levels by 13.8%, reaching 6,450t. This was a four-year high and 4% above the 2013-2017 average for February. Exports were equivalent to 29.9% of UK sheepmeat production in February, up 0.4 percentage points on the month and 2.5 points on the year.

UK sheepmeat exports to the EU opened 2018 on a high, rising 16.7% year-on-year to a provisional total of 6,800t. The largest market, France, was relatively sluggish, up 0.4% at 3,100t, leading to its share of UK exports sliding by 6.8 percentage points on the year to 42.7%. Germany was the engine of growth in January, rising 58% to nearly 1,500t, while sales to Ireland and the Netherlands showed above-average increases. Meanwhile, shipments to Italy rose at a slightly below average growth rate and trade with Belgium was up nearly 4%.



UK sheepmeat exports to non-EU countries showed a year-on-year increase of 11.2% in January, reaching 375t. However, this meant that their share of the monthly total slipped slightly to 5.2% from 5.4% in the first month of 2017. Hong Kong accounted for 82.4% of sales outside the EU with shipments climbing by almost 84% on early 2017.

After falling significantly though 2017, UK sheepmeat imports rebounded slightly in January, rising 4.5% on a year earlier to 6,250t. Nevertheless, this was still a shortfall of 12.6% when compared with the January average for the previous five years and was the second smallest January volume of this century.



Having fallen by more than a fifth in 2017, deliveries of sheepmeat to the UK from New Zealand (NZ) fell slightly in the opening month of 2018. At 4,050t, volumes were down 0.9% on the year and took up a market share of 64.9% compared with 68.4% in the first month of 2017. Following significant price increases last year, NZ sheepmeat arriving in the UK continued to average more expensive than twelve months before, up 17.2% at £5,220/t. Having contracted heavily in the

final quarter of 2017 (Q4), imports from Australia fell back again year-on-year in January, down more than a fifth at 970t. Like NZ sheepmeat its average price continued to rise, up 4.5% at £4,630/t. Australia's market share also slipped back, down 4.9 percentage points at 15.5%. By contrast, imports from Ireland rose by nearly a quarter to 535t while deliveries from Iceland increased five-fold to 350t.

Global Market Round Up

Irish export abattoirs processed 4.8% fewer hogs than a year earlier in the four weeks ending April 21. Numbers totalled 164,600 head, averaging 41,150 head per week. This was down by 4.2% on the previous four weeks whereas last year they had risen by 15.7% between the two periods, reflecting the later Easter last year. Irish export abattoirs slaughtered slightly fewer prime sheep during the first sixteen weeks of 2018 than they had in the same period last year with numbers down 0.5% at 679,700 head.

The November to January period sees the traditional peak in live sheep exports from France. In 2017/18, numbers fell by 5.5% year-on-year to 282,000 head (equal to 68% of the 2017 calendar year total). As well as being a 16-year low, live exports trailed their five-year average by 17.6%. The annual decline can most be linked to a fall in trade with Spain, which accounted for around 93% of live shipments during the period, whereas the sharp fall relative to the five-year average was heavily influenced by a contraction in live sales to Italian buyers. Indeed, sales to Italy have fallen as a share of the total from around 30% at the turn of the decade to only 7% in 2017/18.

The EU-Iceland trade agreement signed back in September 2015 finally entered force on May 1. Sheepmeat access was one of Iceland's principal offensive interests in the agreement and it managed to secure an increase in its duty-free quota for fresh and frozen sheepmeat from 1,850t per year to 3,050t per year, plus a new quota of 300t of processed sheepmeat. It should be noted that although Iceland is a member of the European Economic Area (EEA), commonly referred to as 'the single market', this agreement does not cover agricultural goods, hence the requirement for a bilateral trade agreement to lower otherwise prohibitive tariff levels. EU Commission figures (accessed on May 2) reveal that between the beginning of 2018 and the last date of quota allocation on April 25, 771t of Iceland's annual quota had already been allocated. In 2017, Iceland's quota was filled, but there had been a balance of 139t left outstanding in 2016 and 758t in 2015. HMRC data indicates that imports of Icelandic sheepmeat to the UK have risen strongly in the past couple of years, with volumes rising from 295t in 2015 to 841t in 2016 and 1,032t in 2017. 390t of sheepmeat then arrived in the UK from Iceland in the first two months of 2018.

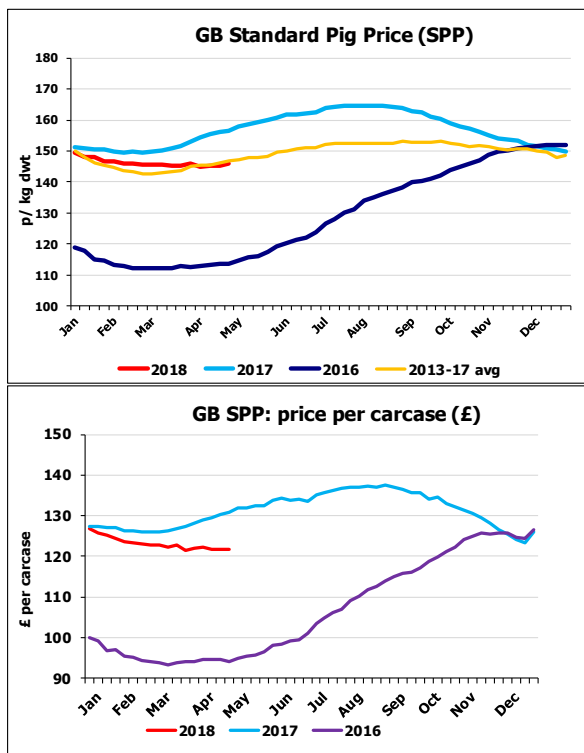
Beef + Lamb NZ forecast stable lamb production for the October 2017 to September 2018 season in NZ so it is unsurprising that a strong start to the season in terms of slaughter

numbers could not be sustained. Following a 14.3% increase in slaughterings in Q4 2017, lamb throughput at NZ abattoirs decreased by 11.3% to 6.895m head in Q1 2018. The Q1 fall more than offset the earlier increases, meaning that 2.1% fewer lambs were processed during the first half of 2017/18. With firm farmgate prices and favourable soil moisture levels continuing to signal an increased retention rate, numbers are likely to be stable at best relative to last year for the remainder of the season. During Q1 2018 the fall in lamb production volumes was larger than the fall in throughput as carcass weights fell by 0.6kg (3.4%) to 17.5kg. This saw production slip by 14.3% to 120,800t.

Canadian import data shows that the country imported slightly less lamb during Q1 2018 than it had in the same period of 2017. Volumes fell by 1.4% to 4,270t. However, there was a rebalancing between suppliers. Whereas imports from NZ fell by 12.9% to 2,230t, there was an increase by 15.4% to 1,950t for Australia while imports from the US and Ireland more than doubled from a low base. As a result, NZ's market share fell by 6.9 percentage points on the year to 52.2% while the Australian share rose 6.6 points to 45.6%. Despite strong growth, the US and Ireland each accounted for less than 1% of Canada's imports. Mutton imports to Canada fell more significantly in Q1 2018, down 42.4% to 805t. Like for lamb, there was a rebalancing away from NZ, which saw its share slip from 81.9% in Q1 2017 to 58.3% this year as volumes decreased by 59% to 469t. This was partially offset by higher deliveries from Australia and Ireland, which increased by a respective 27.5% and 41.4% to reach 192t and 144t.

Pigs

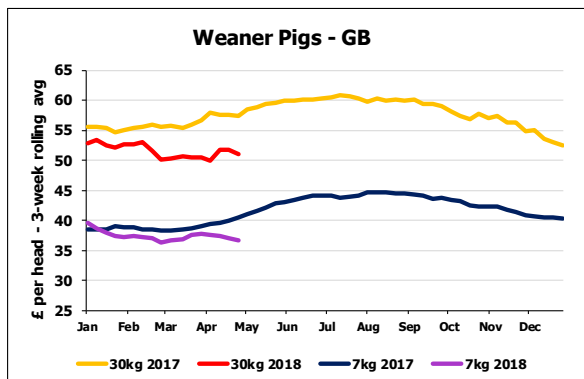
Domestic Market



Prime pig prices continued to follow their historic seasonal pattern in April, edging higher through the month. This brought the GB SPP back to where it had closed March, trading at 145.8p/kg dwt. Numbers of prime pigs handled by reporting abattoirs continued to trend slightly lower and were down by 1.5% on the month in April; though they were 6.3% higher than last year (to account for the different timing of the Easter Bank Holiday a comparison of volumes during March and April showed a 4.9% increase). Carcass weights have also been going through a seasonal slide, pushing production volumes down at a faster pace than processing numbers would suggest.

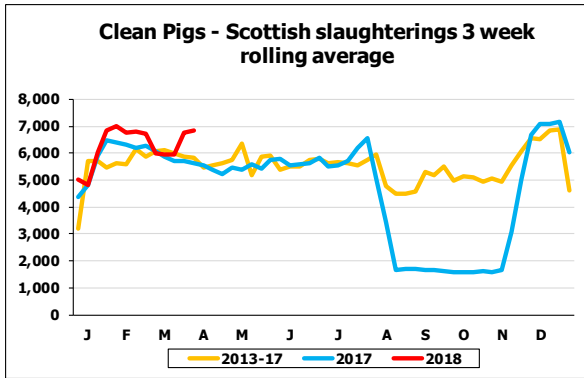
Although prices per kilo showed signs of recovery in April, the average price per carcass stabilised due to falling carcass weights. At the end of April, abattoirs paid an average of £121.75 for a carcass. This was down by 4% on the first week of 2018

compared with a 2.5% fall in the average price per kilo. With carcass weights little different to late April 2017, at 83.5kg, both the price per kilo and price per carcass traded at annual discounts of around 7%.



Prices for 30kg weaners have made a volatile start to 2018. In six of the first seventeen weeks of the year, including the last week in March and then the first and third weeks of April, no price was quoted – likely down to a small sample size. Since February, in most weeks that a price has been quoted, it has been between £50 and £51. This compares with £52-53 in the early weeks of the year and was around 10% below 2017 levels. 7kg weaners have also shown week-to-week

volatility. Prices had been following their seasonal trend until April, edging down through January and February and then lifting slightly in March. They then fell back unseasonally in April with their three-week rolling average ending the month at a seven-week low of £36.70. This was down by 10% year-on-year. 30kg weaners have been selling for around 41% of the finished carcass price, compared with 44% last spring, while 7kg weaners have traded at 30% of it, down from 31% last year.



After the snow-related disruption in the final week of the month had limited the expansion of prime pig throughput at Scottish abattoirs in February, March data showed a return to strong growth. At 27,150 head, slaughterings were up more than a fifth on the same month last year.

Working-day-adjusted throughput for E&W abattoirs posted an eighth month of year-on-year increase in March, rising 4.6%. While NI

abattoir throughput also continued to increase, rising 4.2% to 128,500 head, this was sustained by a sharp rise in imported pigs. Indeed, a 1.5% drop in NI-raised pigs was more than offset by an increase by more than a fifth in imported pigs.

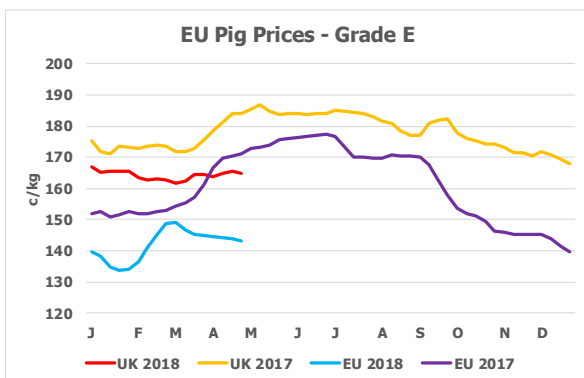
Prime pig carcass weights continued to fall seasonally at UK abattoirs, sliding from an average of 83.8kg in February to 83.4kg in March. This meant that they were fractionally heavier than a year earlier.

Retail Sales

Kantar Worldpanel data suggests that higher retail prices continued to dampen pork sales volumes in GB during the twelve weeks to March 25. Households spent 1.3% more money on pork, suggesting there was robust demand, but this was only sufficient to secure a 2.5% smaller volume. 51.4% of GB households bought pork during the period. In contrast to the overall shortfall, sales of the largest product category – chops and steaks – rose by 2%, while leg roasts were up 35%. However, these increases were partially offset by considerable falls of 23% for both loin and shoulder roasts.

In general, sales of processed pork products continued to advance. Sausages edged up by 0.3% while there were lifts of 1.5% for bacon, 2% for pork-based ready meals and 6.8% for pork pies. By contrast, sales of sliced cooked meats were down 1.4% and sausage rolls fell by 5%.

EU Market Prices



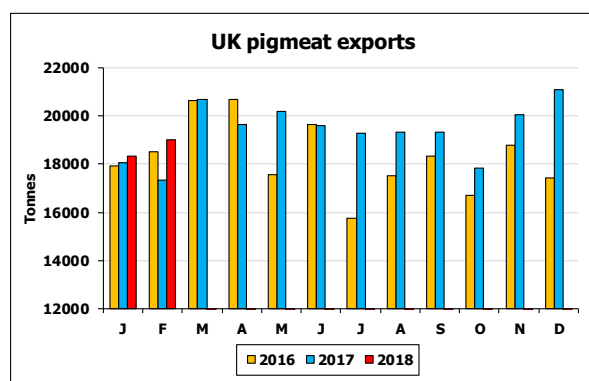
After making a sharp recovery in February and then slipping back in early March, European pig prices have been edging lower since mid-March. The EU average for grade E pigs eased from €1.47/kg (129p/kg) in the week ending March 11 to end April at €1.43/kg (126p/kg). This was down by 1.3% on the month and by 16.4% on the same week of 2017. Furthermore, prices were only 2.5% higher than they had been in the first week of the year, compared to a 12.7% uplift seen over

the same period of 2017. A weekly price forecast for the key German market points to further downwards pressure at the beginning of May. In sterling, the EU average finished April lower by 1.4% on the month and 13.5% on the year. With UK prices rising 0.2% in euro terms during April, the UK premium over the EU average widened from 13.5% in the final week of March to close April at 15.2%. Although double the same week last year's premium, it

remained below the levels seen between October 2017 and mid-February 2018. The UK average for grade E pigs closed March 10.4% lower year-on-year in euro terms.

EU Grade E Pig Prices in euro terms			
	w/e 29/04/18	% change w/4w	% change y/y
Belgium	118.6	-2.5	-23.9
Denmark	127.1	0.0	-18.2
Germany	146.4	-2.0	-18.3
Spain	140.3	-1.7	-15.0
France	130.0	-3.7	-21.7
Netherlands	127.1	-2.6	-19.9
Poland (22/4)	144.1	+1.1	-15.2
UK	164.9	+0.2	-10.4
EU	143.1	-1.3	-16.4

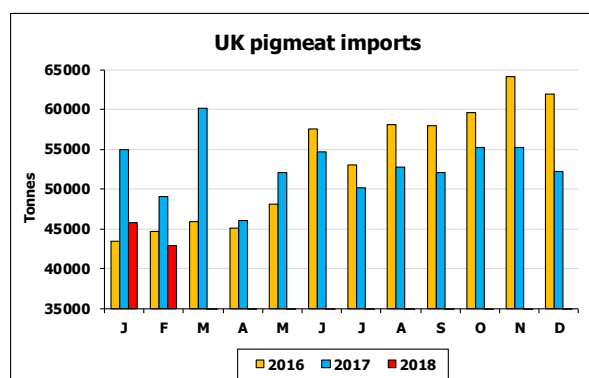
UK Export & Import Statistics



UK pigmeat exports showed further growth in February. At 19,000t, volumes were up 9.7% on the year to be 16.5% above their 2013-17 average for February. Pork shipments rose by 11% to 17,450t, but this was partially offset by a 2.7% fall in exports of bacon & ham, which slipped below 1,600t. Although exports are estimated to have accounted for a significantly higher share of UK pigmeat production in February (24.8%) than they had in the first month of the year (22.4%), they

fell short of February 2017's 25.1% share.

China/HK remained the principal export market for UK pork in February 2018, accounting for 22% of the total. However, sales were 9.2% below year earlier levels at 3,800t. While exports to Germany also fell, by 2%, trade with other important markets increased. In particular, sales to Denmark showed an expansion of 40% while the Netherlands was up more than 47%. Shipments to the Irish Republic grew more slowly, up 6.6%.



UK pigmeat imports began 2018 where they had left off in 2017, falling relative to a year earlier for the eighth consecutive month. January imports contracted by 16.9% to 45,700t. As well as being lower than last year, imports fell 5.3% short of their five-year average for January. Pork imports were down by 11.8% at 31,600t while shipments of bacon & ham declined by 26.4% to 14,100t.

With 37.8% of imports in the first month of 2018, Denmark remained the UK's number one pork supplier. However, its shipments of 11,950t were down a fifth on the opening month of 2017. The volume arriving from the second and third largest suppliers also fell back, with Germany down 6.4% at 5,300t and the

Netherlands down 13.5% at 3,350t, while imports from Spain and Poland also decreased. However, imports from France and Ireland did pick up.

The Netherlands supplied 49% of UK cured pigmeat imports during January, but deliveries of 6,900t were 11.7% below year earlier levels. The year-on-year shortfalls were much more significant for Denmark and Germany with volumes down by a respective 46% and 30%.

Feed Market

After more than a year of lacking direction, feed wheat prices in North East Scotland have risen steadily since mid-February, taking them from £141/t to £156/t. This left the market at its highest level in nearly four years and 8.3% above 2017. Meanwhile, feed barley has also risen to trade at a five-year high of £144/t, up one-fifth on 2017. Driving the wheat trade have been mounting concerns over winter wheat yields in the US due to dry weather in key producing counties, while barley prices have seen pressure from delayed planting in the Black Sea region and firm demand from China.

Having risen in January and February, soyameal prices cooled slightly in March before lifting again during April to open May at £393/t. This left it 10% dearer than at the beginning of April, 29% dearer than at the beginning of 2018 and 27.6% more expensive than at the same time last year. The global market continues to face supply side pressures from a prolonged drought in the key soyabean producing nation of Argentina plus some renewed concerns over potential US production due to a dry spring in some of its principal producing regions. A recent lift in the value of the US dollar has also pushed up import prices in sterling terms.

Global Market Round Up

EU Commission data for the first two months of 2018 showed a small 0.5% year-on-year increase in EU pork exports to reach 659,150t in carcase weight terms. Although shipments had fallen by more than 5% in January, a February recovery more than offset this decline. In the two-month period the largest market – China/Hong Kong – contracted by 11.6% to 289,950t. However, progress was made in Japan, Korea, the US and the Philippines. Collectively, deliveries to these markets advanced by more than a fifth to reach 208,800t and a 31.7% share of export volumes, up from 26.5% in the first two months of 2017. Exports to other markets rose by around 5% to 160,400t.

Spanish government slaughter statistics show that pigmeat production in the EU's largest pigmeat producing nation continued to increase in early 2018. Pig slaughterings rose by 4.2% year-on-year in the first two months of this year to reach 4.428m head. In addition, with the average carcase weight up 1.9kg (2.1%) at 90.5kg, pigmeat production grew at an even faster rate of 6.4% to total 400,800t. Strong production growth in recent years means that slaughterings in January and February 2018 were nearly 18% higher than their 2013-17 average for the period and were up almost 27% when compared with the first two months of 2013.

According to China's Ministry of Agriculture, in the final week of April, pork traded at 16.19 yuan/kg (£1.86/kg) on the wholesale market. Since reaching a nine-month high in the run up to Chinese New Year at the beginning of February, prices have fallen steadily, indicating a considerable imbalance between supply and demand. This has seen pork slip to its cheapest level for a number of years, down 23% since the end of January, by 25% year-on-year and to 40% below its summer 2016 peak. By contrast, beef and lamb wholesale prices have been more stable this spring, meaning that pork has become even more price competitive, trading

at only 28.5% of the beef price and 29.7% of the sheepmeat price at the end of April. In late March these proportions had been two percentage points higher and they had stood at 41% and 47.6% in late April 2017. While pork remained dearer than chicken, its premium fell to 10.6% from 15.1% at the end of March and from 63.5% in April 2017.

In the first two months of 2018 US Meat Export Federation figures show that US pork exports rose by 7.1% to reach 329,400t. The average value also increased, rising to 3.5% to \$2,760/t (£2,020/t). Although Mexico remained the largest market with sales totalling 111,800t, volumes were down marginally on last year and its share of exports fell 2.4 percentage points to 34%. Other significant markets did show growth, including Japan (+6% to 65,550t), Korea (+30% to 38,400t), Canada (+5% to 27,200t) and China (+10% to 23,500t).

Iain Macdonald – May 2018

QMS