



# Monthly Market Report

February 2018

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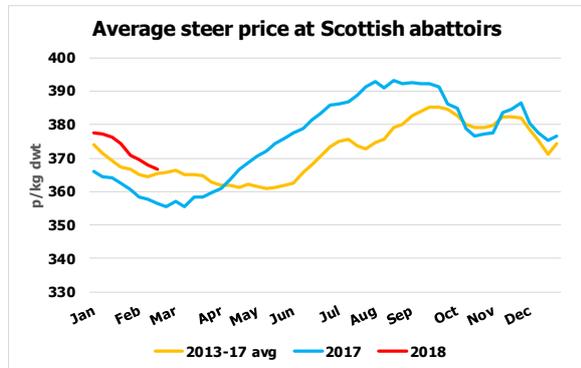
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# MARKET REPORT - February 2018

## Cattle

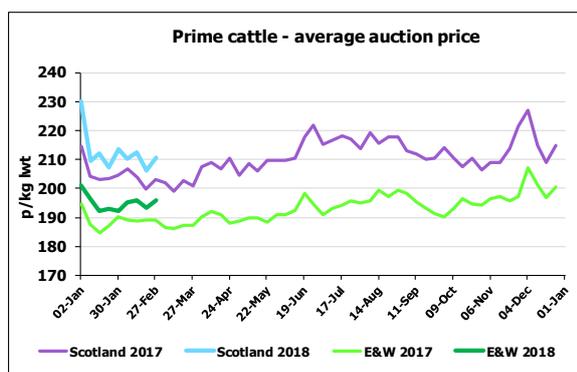
### Prices and Supplies



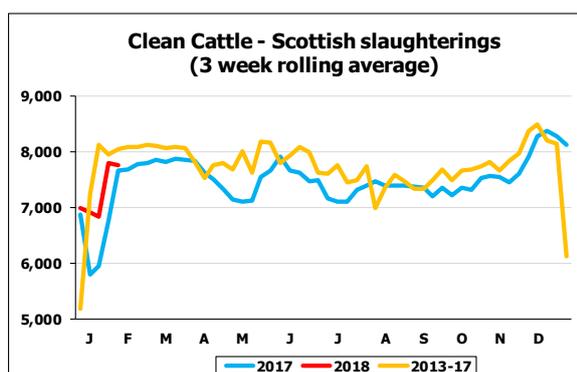
Prime cattle prices have followed their historic seasonal trend in the first two months of the year. Having opened 2018 at an average of 377p/kg dwt at price reporting Scottish abattoirs, steer prices had fallen to 367p/kg by the week ending February 24. However this was 3% higher than in the same week last year and was still around 0.5% above the five-year average. Meanwhile, the average price paid for an R4L grade steer was 7p lower in the week to February 24 than it had been at the

beginning of the year, at 374p/kg. The number of prime cattle processed by price reporting abattoirs each week has fallen back from its pre-Christmas peak, and, after running higher than 2017 in January, slipped back behind year earlier levels in February. During the four weeks to February 24, numbers were down 2% year-on-year. Steers and heifers were around 2% lower with young bulls down 3%.

In the run-up to Christmas the gap between an R4L steer in Scotland and prices in England & Wales (E&W) narrowed to less than 2%. However, for much of 2018-to-date, the Scottish premium has widened again and was at 11p (3%) in the week ending February 24. R4L steers at Scottish abattoirs traded around 2p/kg higher than -U4L steers in February, whereas heifer prices had a premium of around 5p/kg for a -U4L over an R4L. This suggests that -U grade steers are continuing to face pricing penalties due to heavy carcase weights.



After a brief spike in prices at New Year, the prime cattle average at Scottish auctions returned to where it had been in the autumn of 2017. Prices have lacked direction, fluctuating around the 210p/kg mark. However, this has kept the market 3-4% ahead of last year. Auction volumes have been sliding in recent years and this has continued in 2018. During February, numbers were down 6% year-on-year.



Slaughter statistics for January 2018 are based on a five-week statistical month for Scotland and Northern Ireland (NI), running from December 31 - February 3. For (E&W), slaughterings are based on the calendar month and have been adjusted for working days.

Although prime cattle slaughterings at Scottish abattoirs declined by 2.8% during 2017 they ended the year with an increase in December. Scottish Government slaughter statistics

reported further growth in prime cattle slaughterings at the beginning of 2018, with throughput up 0.8% at 36,000 head. DAERA figures for NI also showed an increase in early 2018, rising 1.7% to 34,300 head. However, after applying a working-day adjustment to E&W slaughter volumes, they fell by 1.4%.

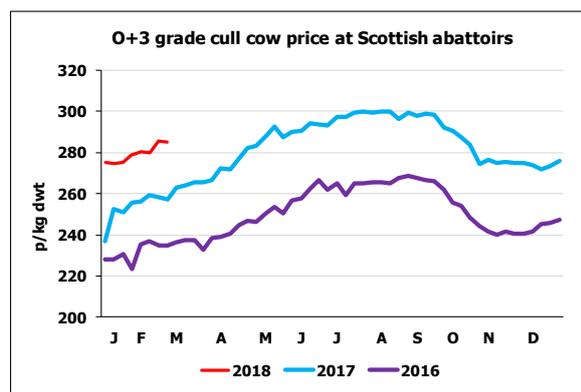
In contrast to December when all three categories of prime cattle had showed a year-on-year increase at Scottish abattoirs, the January expansion was driven purely by steers. Whereas 4% more steers were processed, heifer numbers decreased by 1.1% while the sharp contraction seen in young bull numbers through most of 2017 returned, with numbers down 17.2%. Steers accounted for 54.3% of the prime kill in January, up from 53.0% in December and 52.7% in the same month last year. For heifers, their share rose to 41.9% from December's 41.4%, but was below January 2017's 42.7%. Meanwhile, only 3.8% were young bulls, down from 5.4% in the final month of 2017 and from 4.7% a year earlier.

Average carcase weights at Scottish abattoirs (kg)				
	Steers	Heifers	Young bulls	Prime Cattle
January 2018	385.1	347.7	350.5	368.4
December 2017	378.7	342.3	342.7	361.8
January 2017	387.6	346.5	347.6	368.5

The average prime cattle carcase weight at Scottish abattoirs picked up seasonally in January but remained lower than last year, down a fraction at 368.4kg. Weights for steers and heifers and young bulls all picked up on the month, but only steers were lighter than a year earlier, reflecting continuing adjustment by producers to meet market specifications.

With carcase weights little changed on average from a year ago, prime beef production at Scottish abattoirs rose in line with throughput in January, up 0.8%. This compares with a 3.7% contraction in 2017.

During January, the average price paid by a Scottish abattoir for a prime steer carcase reached a four-month high of £1,444. This was up 2.6% on the year as farmgate prices per kilo rose 3.2% but carcase weights fell by 0.6%.



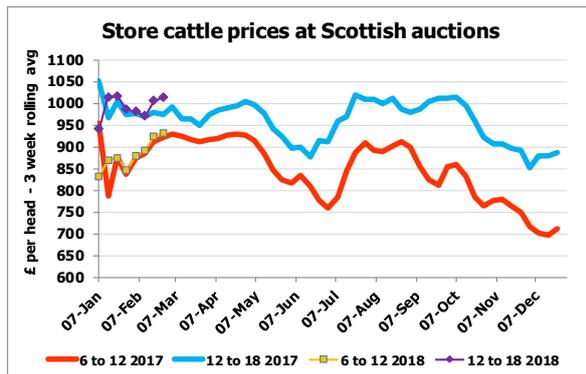
Cull cow prices at reporting Scottish abattoirs have followed their seasonal trend higher in early 2018. During February, volumes have begun to slide seasonally, underpinning market prices. O+3 grade cows traded at 275p/kg in the early weeks of the year before firming to 280p/kg at the end of January. Prices then picked up further in mid-February and averaged 285p/kg in the week ending February 24, leaving them 11% more expensive than in the same week last year.

Having fluctuated around the 115p/kg lwt mark through the final quarter of 2017, the average cull cow price at Scottish auctions has risen seasonally in early 2018, reaching 131p/kg in late February. This was up 12.4% on the same week last year. A seasonal decline in marketings has underpinned the market, dropping from an average of 840 head in the first three weeks of the year to 660 head in the final three weeks of February; though they were above 2017

levels. In the last week of February, dairy cows averaged 111p/kg and beef cows 139p/kg. 62.5% of marketings were beef cows.

Following an annual increase in mature cattle slaughtering of 3.6% at Scottish abattoirs in 2017, numbers opened 2018 falling short of twelve months before. Scottish Government slaughter statistics for January indicate that the mature cattle kill declined by 2.6% to 7,300 head. By contrast, DAERA statistics showed a 6.1% lift at NI abattoirs while working-day adjusted Defra figures point to a 5.6% increase in E&W.

December was the 32<sup>nd</sup> time in 33 months that the average cow carcass weight was lighter than a year earlier at Scottish abattoirs. It was down 2.1kg (0.6%) at 346.9kg. However, cow carcasses did average 6.8kg heavier than in the final month of 2017.



Average prices paid for 6-12-month store steers at Scottish auctions trended higher through February, picking up from £846 in the three weeks ending January 27 to £931 in the three weeks to February 24. Meanwhile, prices for 12-18-month steers have been more volatile. Prices fell back in late January before lifting again in February, averaging £1,013 in the three weeks to February 24 compared to a low of £971 in the three weeks to February

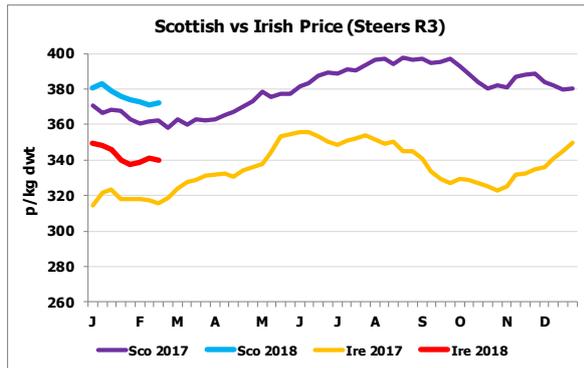
10. In general, prices have been trading slightly ahead of early 2017 levels. Marketings have been rising seasonally towards their traditional peak in March and April, with weaners in better supply than yearlings. On average, 1,370 weaners and 570 yearlings were traded per week in the opening three weeks of February, up 24% and 14%, respectively, on 2017.

In the final twelve weeks of 2017, Kantar Worldpanel data points to a 1% year-on-year decline in the volume of beef purchased by GB households. More households bought beef but they bought less, perhaps down to an average price increase of 3.4% to £7.91/kg. In contrast to overall beef sales, the volume of steaks retailed rose by 9% year-on-year, supported by a 3% decline in average price. Meanwhile, mince sales rose by 3% despite a similarly sized price increase. However, there were significant sales declines for roasts (-14.5%) and stewing beef (-9.5%). During 2017, total beef sales lifted by 0.7%, as a 7% contraction in roasts partially offset higher sales of stewing beef (+0.5%), steaks (+4.5%) and mince (1.5%).

Sales of processed beef products increased across the board in GB during 2017. In the final 12 weeks of the year, sales of burgers picked up by around 2.5% while frozen beef-based ready meals rose 7% and there were increases of around 5.5% for pasties and frozen steak pies. However, sales of fresh ready meals and fresh steak pies did struggle.

Irish prime cattle prices began 2018 on the slide. An R3 grade steer traded at €3.93/kg dwt (351p/kg) in the opening week of the year but had dipped to €3.83/kg (342p/kg) by the first full week in February. However, prices have been more stable during February, trading at €3.83-€3.85/kg throughout the month. This meant that, in late February, Irish prices were up 3.5% year-on-year.

When converted into sterling, Irish prime cattle prices have shown some recovery in February due to a weakening sterling. With sterling also remaining weaker than a year ago, a year-on-year increase of 3.5% in euro terms converts into a 6.5% increase in sterling. The differential



between prime cattle prices in Scotland and the Irish Republic has been relatively stable in 2018-to-date, holding at 9-10% for an R3 grade steer. However, this premium has narrowed significantly since the autumn when it had been running at 17-18%. In February 2017 the gap had been closer to 15%, meaning Scottish prices have become more competitive.

The EU average for an R3 grade young bull has seen some downwards pressure in the opening two months of 2018. Prices opened the year at €3.98/kg (355p/kg) but had slipped to €3.93/kg (351p/kg) by the end of January and fell by another 0.9% to trade at €3.90/kg (348p/kg) in the week ending February 25. Nevertheless, young bulls did remain more expensive than twelve months before, up 3.4%.

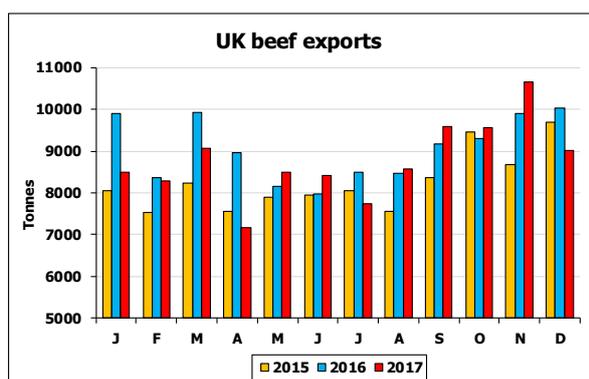
EU cow prices flat-lined in January, with the average O3 grade price trading at €2.95/kg (263p/kg) for most of the month. Moving into February and prices edged higher. By late February they traded 1.1% higher on the month, at €2.98/kg (£2.66/kg). Compared to late February 2017, prices showed a significant increment of 7.1%.

International cattle price comparison (p/kg dwt)						
	Steer/Young bull (R3)			Cow (O3)		
	w/e 25/02/18	% change Vs 28/01/18	% change y/y	w/e 25/02/18	% change Vs 28/01/18	% change y/y
Scotland	372.2	-1.0	+2.8	274.6	+1.0	+9.4
E & W North	360.9	-1.7	+1.9	275.0	+3.9	+8.9
E & W Central	362.4	-0.4	+1.9	283.3	+4.3	+12.3
E & W South	360.8	-0.2	+1.2	274.7	+3.8	+12.4
NI	356.0	-0.5	+2.0	283.1	+1.4	+10.9
RoI	340.1	+0.1	+7.9	286.5	+0.6	+12.1
Belgium	263.9	+1.0	+7.7	241.3	+0.7	+12.2
France	328.5	-0.3	+4.7	274.6	+2.6	+4.2
Germany	361.3	+1.6	+11.8	276.1	+2.5	+14.3
Netherlands	297.6	+17.3	+13.8	256.1	+0.9	+21.8
Spain	343.0	-0.4	+7.6	207.0	+4.1	+10.4
Poland	306.2	-0.9	+11.8	263.3	+1.0	+19.1
Italy	362.4	-4.3	+6.2	264.8	+0.4	+21.2
Sweden	394.5	-0.4	-1.3	359.6	-2.2	-1.0
EU28	335.3	+0.1	+6.8	263.4	+2.1	+11.6
EU prices converted at weekly € value of:	88.3p	87.5p	84.7p	88.3p	87.5p	84.7p

USA	323.0 (steer)	+3.5	-6.7	202.6 (Cutter – 90% lean & >225kg)	+9.2	-9.3
Australia (27/02)	293.6 (EYCI – steers & heifers)	-4.8	-24.1	233.6 (Medium cow)	+4.5	-9.8

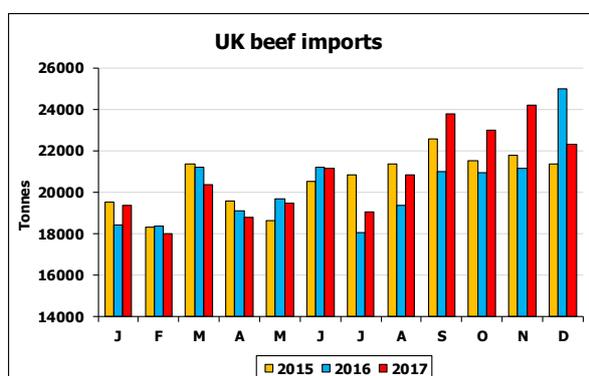
Provisional trade data from HMRC suggests that, having risen in six of the seven months between April and November, UK beef exports fell by 10% year-on-year in December 2017 to 9,000t. This suggests that exports were flat year-on-year in the fourth quarter (Q4), but that annual exports fell short of 2016 levels by 3.5% at 105,000t. Exports are estimated to have edged down as a share of UK beef production in 2017 to 11.5% from just under 12% in 2016.

After a firm October and November, the UK's beef exports to the EU struggled in December, sliding by 10% year-on-year to 8,100t. Though up 2.5% in Q4, they were 6% lower in 2017 as a whole than they had been in the previous year. Deliveries to Ireland declined by 8% year-on-year in December to 2,800t whereas shipments to the Netherlands jumped by 14% to 2,600t. In the year as a whole, exports to Ireland decreased by 5%, while 10% less beef was delivered to the Netherlands. These two markets accounted for 55% of UK beef exports during 2017.



Deliveries to non-EU markets slumped to a 2017-low of 910t in December. This was an annual shortfall of 11%. Non-EU markets accounted for 10% of exports in December compared with a 2017 average of 13.5%. During 2017 as a whole, exports outside the EU rose by a fifth to 14,300t. Hong Kong (HK) was the main non-EU export market in 2017,

accounting for just over half of shipments. Its December share was much higher than this however, at 69%, as volumes more than doubled to 630t.



Following five successive months of import growth, the UK brought in less beef from overseas in the final month of 2017. December imports were down 11% year-on-year to 22,300t. However, during Q4, imports were up 3.5%, while they increased by nearly 3% in the year as a whole, to a three-year high of 250,350t.

For only the second month in 2017, the UK imported less beef than twelve months before from the EU during December. Shipments contracted by 11% to 20,800t. During the calendar year, volumes increased by 6% to 235,300t; 94% of total imports. While imports from Ireland declined by 8% in December to 17,200t, they did still show an annual increase of 6% in 2017, reaching 181,200t. This was 72.5% of imports, up from 70% in 2016.

The volume of beef imported to the UK from outside the EU fell by 11% on the year in December to 1,450t. Though, after a strong October and November, quarterly imports from outside the EU rebounded by 29% after contracting for most of the previous four years. This Q4 lift was unable to prevent a heavy decline of 30% during the year as a whole, with volumes slipping to 15,050t. December imports from Brazil, Uruguay and Namibia fell heavily on a year earlier, but this was partially offset by imports more than doubling from Botswana. Shipments from all the major non-EU suppliers fell during the calendar year.

## **News Round Up**

The December Census for Northern Ireland has been published, showing a marginal increase in the region's dairy herd, but a contraction in the beef herd. Dairy cow numbers rose by 0.2% to 312,500 head, whereas the beef herd fell by 1.9% to 258,400 head. As a consequence, the share of beef cows in the total cattle breeding herd fell by 0.5 percentage points to 45.3%. Meanwhile, in-calf dairy heifer numbers were stable and in-calf beef heifers were down 1%. By contrast, supplies of slaughter cattle on NI farms were significantly higher than twelve months before. Slaughter cattle over two years were up 10% while there was a slight 0.6% increase in the 12-24 month age category. However, looking further forward, supplies may begin to tighten as the number of cattle aged less than a year old on NI farms was down by more than 1% year-on-year.

Having risen by more than 7% in 2017, prime cattle slaughterings at Irish export plants have risen at a slower pace in early 2018. During the first seven weeks of the year, numbers were up 2.6%. In the most recent four of these weeks, processing numbers rose more slowly than this, up 0.9% at 106,400 head. Within this total, a 1.4% contraction in the steer kill was more than offset by a 2% lift in heifer volumes and a 3.9% increase in young bulls. As a result, the steer share of the prime kill dropped by a percentage point on the year to 41.6%, but heifers rose from 37.1% to 37.5% and young bulls accounted for 20.9% of the total compared with 20.3% twelve months before. In contrast to Scotland, young bull supplies are at their peak in Ireland during the winter months.

Canadian slaughter statistics show that a strong increase in the country's cattle kill in Q4 2017 was sustained in the opening month of 2018. Indeed, following a Q4 lift of 8.2% to 728,100 head, throughput rose by 7% in January 2018 to reach 198,500 head. In the US, total slaughter grew by 3.6% in Q4 2017 to 8.022m head, and then advanced by 2.6% to 2.364m head in the opening month of 2018. Despite expanding production, farmgate prices have been running slightly ahead of 2017 levels in both countries.

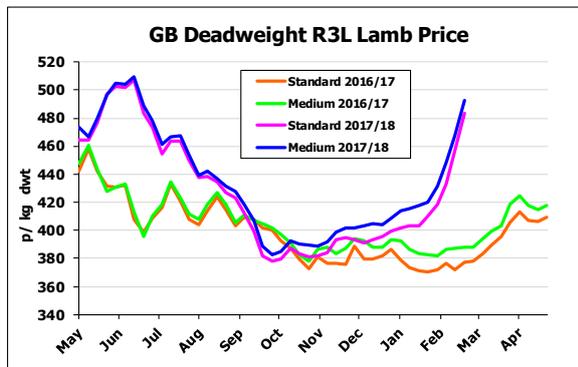
US Meat Export Federation data indicates that US beef exports to China have made a slow start since market access was granted in June 2017. From mid-June until the year-end, less than 3,000t of beef were shipped to China. However, volumes did trend higher through the second half of 2017 (H2) with December deliveries to China working out at 87% above their June to December average. Nevertheless, China remained a very small market for the US, accounting for only 0.9% of monthly export volumes and 1.4% of export revenues in December. The average value per tonne shipped to China in December was 49% above the average for all US exports, at \$10,280/t (£7,350/t).

Brazil's beef exports grew by 9.5% in 2017 to reach 1.543m tonnes. This was despite an average value per tonne increase of 4% to \$4,100/t (£2,930/t). Following a difficult spring, when a number of countries temporarily suspended imports from Brazil due to a meat hygiene scandal, exports recovered in the summer and rose strongly year-on-year in the final six months; for example, Q4 export volumes were up 39.5% at 343,800t. Hong Kong and China

were the largest buyers of Brazilian beef in 2017, accounting for a combined 460,900t – 38.1% of total shipments. This was an increase of almost a third on 2016. By contrast, exports to Egypt contracted by 11% to 146,900t. However, shipments to Russia rose by 5.6% to 138,000t and sales to Iran surged by 40% to 133,000t. Whereas the average value of exports to China, Hong Kong and Iran were roughly in line with the overall average, sales to Russia and Egypt were significantly cheaper.

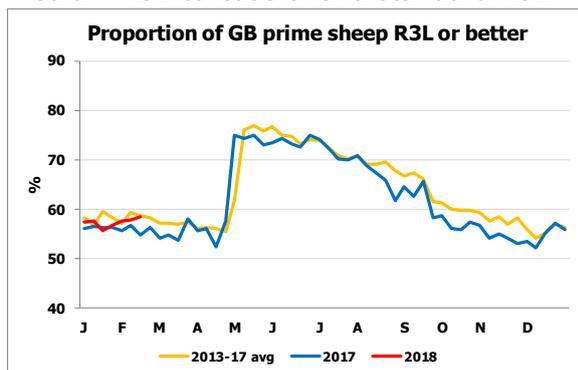
# Sheep

## Prices and Supplies



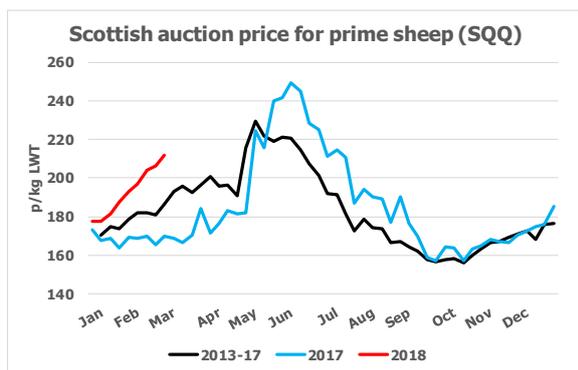
At GB reporting abattoirs, SQQ<sup>1</sup> prime sheep prices began 2018 like they had finished 2017, drifting higher. From 410p/kg in the opening week of the year, the market cleared at 415p/kg in the week ending January 27. For the next four weeks, the market gathered pace, rising at a faster rate each week with prices climbing to 486p/kg in the week to February 24. This was a year-on-year increase of 24.5% and left prices at a record high for this time of year. The volume of hoggs handled

by reporting abattoirs trended lower through January, before picking up in mid-February without dampening the market. However, numbers have been well below their autumn peak, averaging 26% lower in the four weeks to February 24 than in the September to December period. In the third full week of February, standard lamb carcasses averaged 466p/kg dwt and medium carcasses 490p/kg. However, there was a much smaller premium of 9p/kg for a medium R3L carcase over a standard R3L.



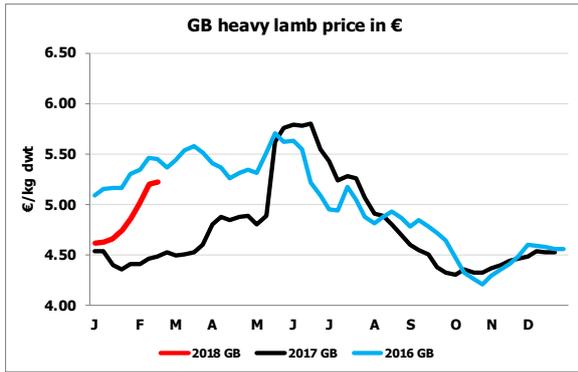
One factor supporting hogg prices at GB reporting abattoirs will have been an improvement in quality. The proportion of prime sheep grading at R3L or better picked up from 54.2% in December to 56.6% in the opening four weeks of 2018, before lifting further to 57.7% in the four weeks to February 24. Compared to the same period of 2017, this was an increase of 1.8 percentage points, comparing favourably with a year-on-year

deficit of 2.9 points in Q4 2017.



The hogg trade at Scottish auctions has begun 2018 on a strong footing. Prices have trended steadily higher since the turn of the year, rising 35p (19%) in just seven weeks, from 177p/kg lwt to 212p/kg. As a consequence, the market cleared a quarter higher than last year at the end of February, trading at a record level for this time of year. Prices varied significantly across the weight ranges with lightweight 25.5-32kg hoggs selling for 180p/kg; standard 32.1-39kg hoggs averaging 205p/kg; 39.1-45.5kg hoggs at 217p/kg; and heavy 45.6-52kg hoggs trading at 209p/kg. Auction marketings have trended higher in Scotland and have been running well above 2017.

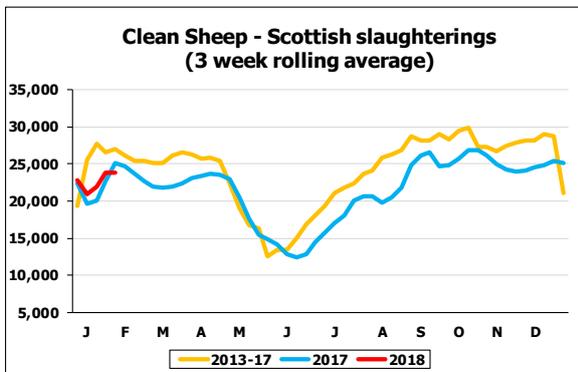
<sup>1</sup> SQQ (Standard Quality Quotation) are lambs weighing 12-21.5kg dwt and 25.5-45.5kg lwt. A standard carcase weighs 12-16.4kg dwt and a medium carcase from 16.5-21.5kg dwt.



While GB lamb prices are well above year earlier levels in euro, some of the increase in sterling terms has been shielded by a weaker sterling. Indeed, in late February, the GB average traded up 15% in euro compared with 25% in sterling. In addition, it remained below its euro terms levels of early 2015 and 2016.

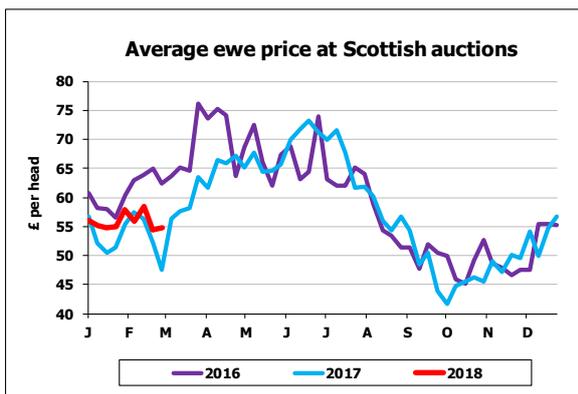
GB auction market data for February shows a considerable increase in hogg marketings compared to the same month last year. Total numbers rose by 11.4% to 456,800 head. Within this total, Scottish numbers showed an even stronger increase, up 27.6%. The proportion of hogs weighing within the SQQ weight range of 25.5-45.5kg lwt has also risen considerably. At GB auctions, the proportion rose from 65.9% last February to 70.5% this year while the Scottish figure climbed by 7.7 percentage points to reach 75.1%.

GB auction market data for February shows a considerable increase in hogg marketings compared to the same month last year. Total numbers rose by 11.4% to 456,800 head. Within this total, Scottish numbers showed an even stronger increase, up 27.6%.



Scottish slaughter data shows that prime sheep throughput contracted for the third successive year in 2017, down 4%. The decline continued at the beginning of 2018 with January throughput falling 2.6% short of year earlier levels at 113,300 head. Prime sheep throughput also opened 2018 below year earlier levels at NI abattoirs, sliding by 7.2%. By contrast, after applying an adjustment for working days, slaughterings rose 6.3% in E&W.

The average prime sheep carcase weight was 20.6kg at Scottish abattoirs in the first month of 2018. Although 0.2kg heavier than in the final month of 2017, carcase weights were 0.2% lighter than in January 2017. Consequently, the volume of prime sheepmeat produced during the month is estimated to have been 2.8% below year earlier levels.

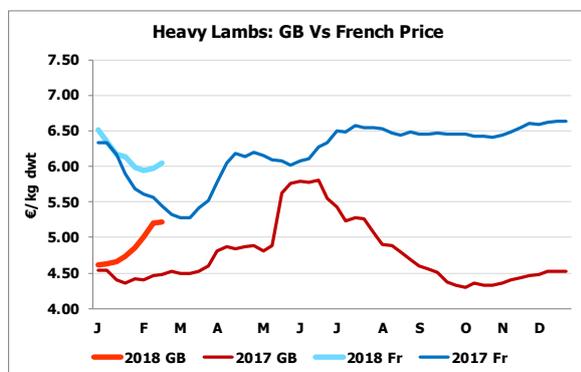


Cull ewe prices at Scottish auctions have lacked direction in 2018, fluctuating around the £55 a head mark; though there was a brief lift towards £58 in the first half of February. Marketings picked up from 4-5,000 head in January to average around 6,000 head per week in February, but have remained well below their autumn peak. Both prices and volumes were around 5% higher in February 2018 than in the same month last year.

Having fallen sharply for most of 2017, the mature sheep kill is estimated to have edged above year earlier levels at E&W abattoirs in January. Scottish abattoirs continue to handle very few mature sheep.

Kantar Worldpanel figures point to a 9% contraction in the volume of lamb purchased by GB households during 2017. The average retail price increased by 6% and 4% fewer households bought lamb. During the final 12 weeks of the year, sales, though still in negative territory, did out-perform the year as a whole, being 5% lower. There were annual declines of around

1% for chops/steaks and leg roasts, but shoulder roasts (-17%) and mince (-8.5%) struggled. The average price of lamb retained in the final 12 weeks of 2017 was up 5.6% year-on-year at 8.86/kg. Sales of lamb-based ready meals are reported to have shown a heavy year-on-year decline of 16% in the final 12 weeks of the year; double their rate of decline in the calendar year.



At €5.25/kg (£4.65/kg) in the week ending February 25, the EU average price for heavy lambs<sup>2</sup> was up 6.1% on the month, largely reflecting seasonal movements in the British Isles. The French market began to show signs of recovery in the second half of February having previously faced seasonal headwinds. With most Member States showing significant year-on-year increases, the EU average was up 15.4% on February 2017 in euro terms. In sterling, it was more than a fifth higher.

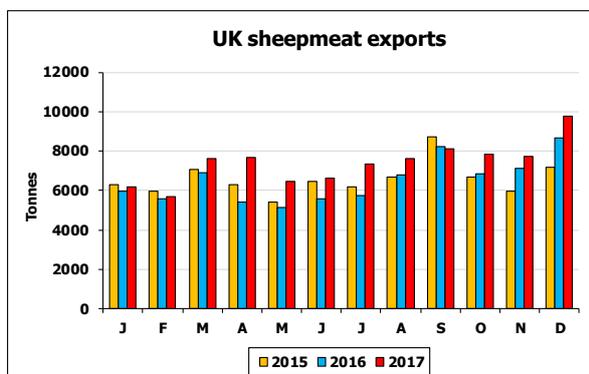
The EU light lamb<sup>3</sup> average has fallen significantly since the turn of the year, reflecting a seasonal downturn in demand. In the third week of February, the market cleared at €5.15/kg dwt (£4.56/kg), down 9.3% since the first week of 2018, and by 14.3% since Christmas. Although prices were more stable in February, they were still down by 1.7% on the month as prices had fallen at the end of January. Compared to a year earlier, prices averaged 5.6% lower, due to a change in the number of reporting countries.

Prime sheep prices (€/kg dwt)			
	w/e 25/2/18	% change w/4w	% change y/y
<b>Heavy lambs</b>			
Belgium	508.2	+2.9	+10.0
Germany	555.5	+1.2	+3.0
Spain	524.5	-2.0	+14.3
France	605.0	-1.5	+13.5
Ireland	487.8	+9.5	+12.8
Italy	525.0	-8.9	+12.9
Romania	235.4	+9.9	+7.3
Sweden (18/2)	450.0	+16.6	-6.9
GB	522.4	+10.2	+15.3
NI	470.2	+6.8	+7.3
EU	524.9	+6.1	+15.4
NZ (17kg)	404.5	+0.7	+14.5
<b>Light lambs</b>			
Bulgaria	563.5	0.0	+1.4
Greece	437.1	+1.0	+4.7
Spain	571.4	-2.0	-1.8
Italy	497.0	-5.9	+2.1

<sup>2</sup> The EU defines a heavy lamb carcass as weighing greater than 13kg

<sup>3</sup> The EU defines a light lamb as a carcass weight of less than 13kg

Hungary	613.0	+3.0	+23.9
Portugal	562.0	+2.2	+37.7
EU	515.4	-1.7	-5.6

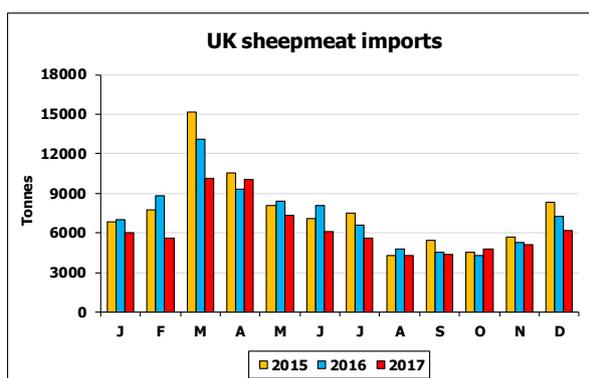


HMRC trade data for the final month of 2017 points to a 13% expansion of UK sheepmeat exports compared to the same month of 2016. At 9,800t, volumes were at their highest for any month in 2017 and were at their highest December level for five years. During the final quarter of the year, volumes rose by 12% and, with exports rising in every month of 2017 except September, annual exports grew by 13.5% to a three-year high of 88,650t. Exports accounted for an estimated 30% of

UK sheepmeat production in 2017, up from 27% in 2016.

UK sheepmeat exports to the EU ended 2017 on a high, rising 9% year-on-year in December to 9,150t. This took annual shipments to 83,150t; up 11% on 2016. Whereas deliveries to France and Belgium cooled on a year earlier in December, trade increased with Germany, Italy, the Netherlands, Ireland, Spain and Portugal. With lamb traditionally eaten as part of the New Year celebrations in Portugal, exports to this market in December accounted for 60% of their annual total. Looking at the principal export market of France, December volumes fell 5% short of year earlier levels. Although they accounted for 47% of total exports, this was down five percentage points on the year. In the year as a whole, sales to France edged 0.5% higher to 40,650t, but this was a 40% share of the total compared with 46% in 2016.

UK sheepmeat exports to non-EU countries doubled year-on-year in December to 630t. This was 6.5% of monthly sheepmeat exports. 87.5% of deliveries to non-EU countries went to Hong Kong with sales to this market up by a factor of 2.75 on a year earlier. During 2017, 5,500t of sheepmeat was sold outside the EU compared with 3,300t in 2016. This saw the non-EU share of UK sheepmeat exports rise from 4% to 6%.



Imports of sheepmeat to the UK continued to decline in December. At 6,150t, the December total fell 15% short of a year earlier. This was a more significant decline than seen in Q4 2017, in which volumes slumped by 4.5%, and exceeded the annual decline of 13.5%. At 75,450t, imports during 2017 were at their lowest level this century.

The December shortfall in imports was once again driven by the main supplier, New Zealand (NZ). Imports from NZ decreased by 15.5% year-on-year to 3,850t. Although NZ slaughterings picked up in Q4 2017 following drought conditions, considerably higher prices limited imports to the UK. Indeed, the average import price was a fifth higher than twelve months before in December at £5,800/t. Imports from NZ accounted for 63% of UK imports in December, down from 67% in the final month of 2016, and took a 69% share in 2017 compared with 2016's 76%. Imports from Australia also cooled significantly year-on-year in December, down 37% at 1,300t, reflecting a 30% increase in the average price per tonne.

Calendar year shipments from Australia contracted by 6% to 10,800t. Shipments from both Ireland and the Netherlands grew strongly, albeit from a low base, in both December and the year as a whole.

## **News Round up**

The NI December census indicates that the breeding flock in the autumn of 2017 was 1.6% larger than a year before at 927,700 head. Ewe numbers increased by 2.5%, but this was dampened by a 7.5% decline in the number of gimmers being put to the tup. With tup numbers growing more quickly than the ewe flock, each tup serviced an average of 29 ewes compared with 30 in 2016. Meanwhile, the number of lambs left on NI farms in December fell by 0.6% to 389,400 head. Given that there was an increased June lamb crop, this points to earlier marketing in the summer and autumn of 2017 than in the previous year.

Irish export abattoirs processed 4% fewer hogs than a year earlier in the four weeks ending February 17. Over the period numbers totalled 162,900 head, averaging 40,700 head per week. This was 9.5% below the average weekly kill for the opening three weeks of the year, compared with a 2% drop during the same period last year. Throughput in the opening seven weeks of 2018 was only a fraction higher than last year as a significant rise in the kill between June 2017 and the year-end is likely to have limited the carryover of hogs into 2018. Indeed, slaughterings at Irish export plants rose 8.5% year-on-year in the final seven months of 2017, while the lamb crop reported in the June census grew by 2.5%.

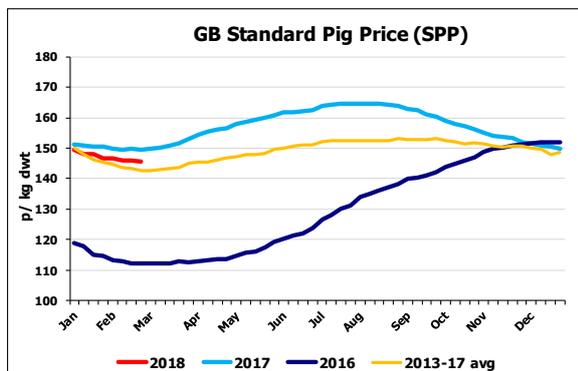
In Q4 2017, French abattoirs slaughtered 715,400 lambs. Compared to the same period of 2016 this was a decline of 3.2%, slightly faster than the 2.8% contraction seen in 2017 as a whole. The average lamb carcass weight also fell back, by 0.1kg (0.7%) to 17.9kg, meaning that Q4 production volumes were 3.8% smaller than twelve months before, at 12,800t. During the calendar year, carcass weights averaged a fraction below 2016 levels, at 18.1kg, and production contracted by 2.9% to 65,900t. Production has been on a relatively flat trend in recent years and the 2017 total was 0.6% below the five-year average.

Beef + Lamb New Zealand had forecast a stable level of lamb supplies for NZ processors to work with during for the October 2017 to September 2018 season. However, drought conditions in late 2017 resulted in early drafting of lambs and processing volumes rose strongly in Q4. Indeed, data from Statistics NZ points to a 14.3% increase in lamb throughput to 5.025m head. With the average carcass weight up 0.2kg (1%) at 18.5kg, production volumes lifted by 15.4% to 93,100t. This increase in carcass weights may suggest that the rise in slaughterings was added to by a lift in hogg throughput, possibly as tight grazing conditions led to some reassessment of previous decisions to rebuild flocks.

MLA's latest forecasts for Australian lamb production point to a small decline in throughput in 2018. Numbers are expected to slide by 0.7% to 22.5m head and fall marginally below their five-year average. This is based on an expectation that good pasture conditions and firm farmgate prices will encourage retention of additional females for future breeding. However, helped by the prospect of positive rainfall levels across much of the country in the February to April 2018 period, carcass weights are forecast to lift by 0.2kg (1%) to 22.9kg, thereby offsetting the decline in throughput and holding production steady at 514,000t. While lamb exports are forecast to dip back by 4% to 241,000t in 2018, this would still exceed the five-year average. Overseas demand is anticipated to hold relatively firm despite Australian lamb being more expensive than in the past, and export growth has been forecast to return in 2019.

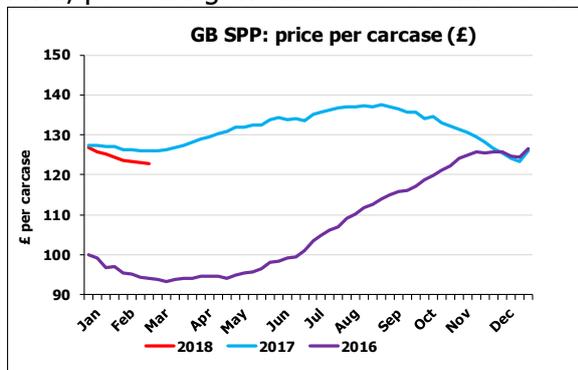
# Pigs

## Prices and Supplies



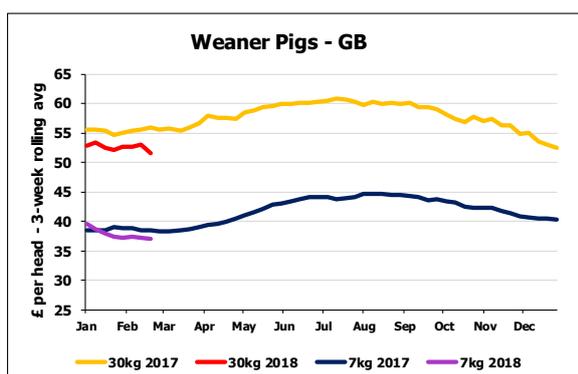
After returning to their historic seasonal pattern in 2017, prime pig prices have begun 2018 along the same lines. The GB standard pig price (SPP) slipped from 150p/kg in the first week of the year to 146p/kg in early February before steadying. Though down 2.5% year-on-year in February, prices have traded slightly above their 5-year average. Although numbers at reporting abattoirs have edged up as 2018 has progressed, they have remained lower than in the run up to Christmas. Meanwhile,

although carcass weights have been trending slightly lower, they have remained well above late 2017 levels, meaning that production volumes have stayed close to their pre-Christmas level, pressuring the market at a time of traditionally weak demand.



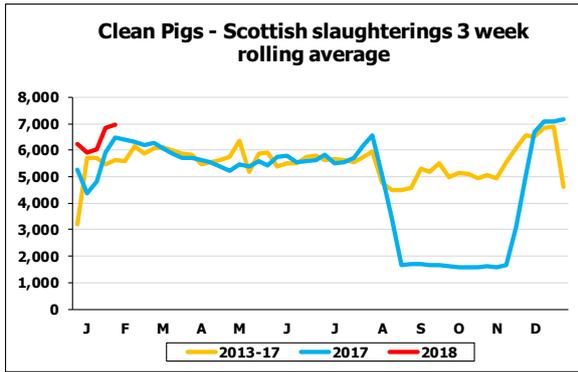
As the average carcass weight has fallen back in recent weeks, the average price per carcass has followed the average per kilo price lower. It began 2018 at £126.80 but had cooled to £122.70 by the third week of February. However, with carcass weights higher than in December, this meant that the average price per carcass was 1.5% lower than its December average, compared with a 3.4% fall in the per kilo price. Compared to a year earlier, carcass

weights have remained slightly higher, averaging 84.3kg in February. As a result, the year-on-year decline in the carcass price has generally been marginally less than that seen in the per kilo price.



Weaner prices have made a volatile start to 2018. This has been the case for 30kg weaners in particular. Their average price has been between £50 and £53 during the first eight weeks of the year, with two of those weeks seeing no quotation, presumably due to a low sample size. In February, prices traded at just under £53 in the first full week of the month, but had dropped to just over £50 by the time of the next quote two weeks later. Comparing an average of these two weeks with the first

three weeks of February 2017 points to a significant price decrease of around 8%. 30kg weaners have been averaging around 42-43% of the SPP carcass price. The market for 7kg weaners has been slightly less volatile and there has been a quote for each week in 2018. The three-week rolling average edged lower through February to stand at £37.14 in the week ending February 24. This was 28p below its January-ending level and a decline of 3.4% year-on-year. 7kg weaners have been selling for 30% of the finished carcass price, compared with 32% last autumn, but only a fraction lower than in February 2017.



Due to the largest pig abattoir in Scotland being closed for over three months after fire damage, prime pig slaughterings declined by 16.7% in 2017. However, with processing up and running again at Brechin, slaughterings exceeded year earlier levels at Scottish abattoirs in January. Numbers rose by 4.3% to 31,700 head.

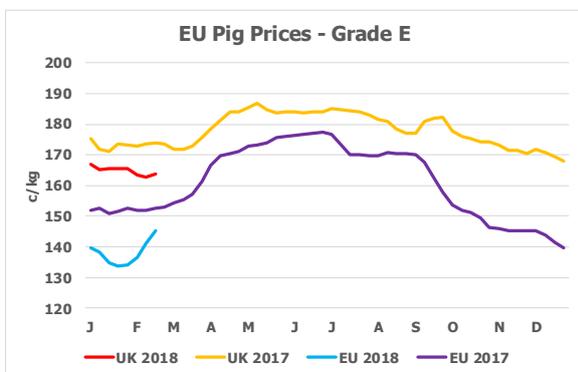
After adjusting numbers to reflect working days, E&W abattoirs are estimated to have

processed a higher volume of pigs year-on-year for the sixth consecutive month, rising 3.5% in January. Meanwhile, the sow kill continued to decline at E&W abattoirs, down 11%. DAERA figures show that, at 164,900 head, NI slaughter plants processed 2.1% more prime pigs than in the opening month of 2017. This was despite a 0.8% reduction in the number of home-produced pigs handled as imports rose by more than 10%. Imported pigs accounted for 28.7% of the monthly total compared with 26.6% a year earlier.

Prime pig carcase weights showed a seasonal increase at UK abattoirs between December 2017 and January 2018, rising from 82.3kg to 85.3kg. This reflected the disruption of the festive period, with some pigs being sent for slaughter at younger ages and lighter weights than usual in December while others were held back until January, pushing up weights. On average, carcase weights showed a 1.5kg (1.8%) increase on a year earlier in January.

Kantar Worldpanel data indicates that the volume of pork retailed in GB during 2017 contracted by 1% as retail prices averaged 5% above 2016 levels. However, during the final 12 weeks of the year, sales volumes did pick up by 1% despite an average price 4.5% above year earlier levels. Growth was driven by sales of pork chops/steaks, up 1.5%, and legs roasts, up 23%, but there were declines of 10.5% and 16%, respectively, for shoulder roasts and loin roasts.

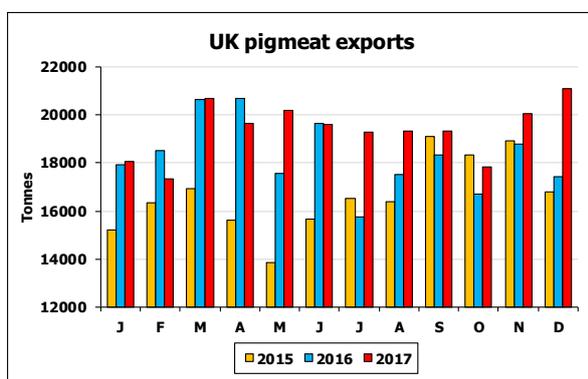
Most categories of processed pork products were more popular in 2017 than in the previous year, with only sausage rolls seeing a decline in sales. This trend held into the final twelve weeks of the year with sausage roll volumes down 9.5% whereas sales of bacon, sausages and charcuterie rose by around 2% while pork pie sales edged higher and there was 7% growth in pork-based ready meals.



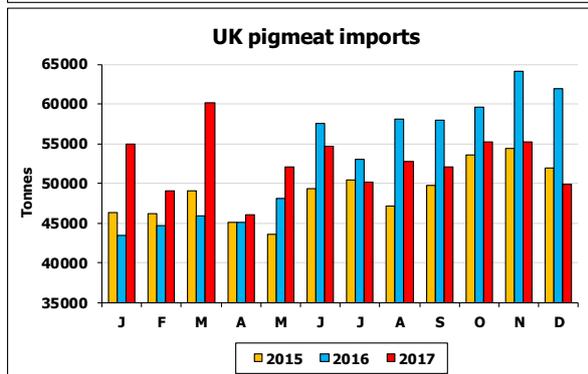
European pig prices have rebounded strongly in February following some seasonal headwinds. After opening the year at €1.40/kg dwt (124p/kg), prices for grade E pigs slumped to €1.34/kg (118p/kg) in the final week of January. Four successive weekly increases then saw the average climb 8.7% to reach a 12-week high of €1.45/kg (129p/kg) in late February. Nevertheless, producer prices continued to fall short of 2017 levels, down by an average of 4.7% in euro and 0.7% in

sterling. With UK prices falling 1.2% in euro terms over the previous month, the UK premium over the EU average almost halved from 24% in late January to a five-month low of 12.5% in late February. This was down slightly on the 14% premium in same week last year. The UK average for grade E pigs was 5.8% lower year-on-year in euro terms in late February.

EU Grade E Pig Prices in euro terms			
	w/e 25/02/18	% change w/4w	% change y/y
Belgium	122.1	+13.0	-8.3
Denmark	128.9	+4.0	-8.9
Germany	152.4	+13.4	-2.7
Spain	130.8	+6.8	-10.7
France	128.0	+4.9	-14.7
Netherlands	130.7	+12.5	-6.2
Poland	147.2	+12.5	-0.1
UK	163.7	-1.2	-5.8
EU	145.3	+8.7	-4.7



UK trade statistics indicate that December was the sixth consecutive month of UK pigmeat export growth. Volumes were 21% higher at 21,100t. Shipments of pork rose by 21% to 18,800t on the year while exports of bacon & ham rose 17% to 2,250t. In the year as a whole, pigmeat exports showed a fifth year of expansion, rising 6% to 232,400t. While pork shipments were up less than 5% at 213,900t, there was a 21.5% jump in sales of cured product to 18,500t. Exports are estimated to have accounted for 26% of UK pigmeat production in 2017 compared with 24% in the previous year.



China/HK was the UK's largest pork export market in 2017, with a 25.5% market share. In December, sales to China/HK surged by 45% year-on-year to 4,300t. This was well above the annual increase of less than 3% in sales to this market. Closer to home, December shipments to the key EU markets of

Denmark, Germany and Ireland rose strongly, with volumes reaching 2,150t, 2,900t and 2,900t, respectively. However, during the calendar year, sales to Germany were flat and 7% less UK pork was sent to Ireland. Exports to Denmark expanded by more than a third in 2017.

UK pigmeat imports finished the year by decreasing year-on-year for the seventh successive month. Volumes contracted by 19.5% to just under 50,000t; a five-year low for the month. Pork volumes slumped 17% to 32,900t while imports of cured pigmeat declined by 23.5% to 17,100t. During 2017 as a whole, pigmeat imports to the UK were 1% lower at 632,400t. Pork shipments rose 5%, but this was more than offset by a 12% decline in bacon & ham.

Denmark supplied 42.5% of the UK's pork imports in December. However, volumes fell by 18.5% to 13,900t. This compares with an annual increase of 5% to 165,750t. Imports from the second and third largest suppliers - Germany and the Netherlands - also fell significantly in December, contrasting with calendar year increases. December saw imports from Belgium, France, Ireland and Spain also decline on a year earlier, but deliveries from Poland edged

higher. In the calendar year, Belgium, France and Poland delivered less pork to the UK than in 2016, but shipments from Ireland and Spain picked up.

The Netherlands supplied 49% of UK cured pigmeat imports during December, but deliveries of 8,600t fell 7.5% short of a year earlier. Imports from Germany were 8.5% lower at 2,700t while sales to Denmark more than halved to 3,750t. During 2017 as a whole, imports from the Netherlands increased by 8% to 94,800t, but there were declines of 2% from Germany, to 35,300t, and 37% from Denmark, to 58,200t.

## **Feed Market**

Feed wheat and barley prices in North East Scotland have been relatively stable since early 2017, trading at around the £140/t and £120/t levels, respectively. However, barley prices did pick up towards the end of last year and have been trading closer to £130/t in early 2018. After holding steady for the first few weeks of 2018, feed wheat prices picked up to £145/t in late February. At these levels, barley has been trading 5-10% more expensive than last year, while wheat ended February up 5%. At the global level, a cold snap in Europe has been causing concerns for this year's grain crop due to the lack of protective snow cover in the Black Sea region, while a dry start to the year in the key growing regions of the US has led to heightened worries. In addition, rising global demand for wheat is forecast to result in a drawdown of stocks.

A persistent period of drought in Argentina has pushed up soyameal prices significantly since December. As a consequence of dry conditions, forecasters have revised lower their expectations for this year's Argentine soyabean crop, and this has had a knock-on impact on the market for soyameal. In the 2016/17 season Argentina accounted for nearly half of global soyameal exports, highlighting its importance to the global market. In late February, soyameal traded at around £350/t, up from an autumn 2017 average of £300/t. Compared to February 2017, when prices had also been elevated, prices are around 8% higher.

## **News Round up**

Northern Ireland's December Census suggests a considerable herd expansion has taken place. Sow numbers are estimated to have risen by 8% to reach 47,400 head. In addition, the number of retained gilts was up 29% at 6,100 head. The population of slaughter pigs was also significantly higher, rising almost a fifth to 576,700 head.

The Danish sow herd made a recovery in the year to January 1 2018 following two years of contraction. Numbers rose by 3.2% to 1.034m head, although this was still below the levels of 2014 and 2015. The seasonal lift in the sow herd was stronger in late 2017 than twelve months before with the Q1 2018 population 1.1% above Q4 2017 levels compared with a 0.5% increase in late 2016. The number of sows for first-time farrowing also showed a strong year-on-year increase, of nearly 3%, and recovered to a three-year high. Slaughter pig numbers also grew, rising 3.3% to just over 3m head, while there were even stronger increases of 5-6% for weaners.

According to China's Ministry of Agriculture, in the week ending February 25, pork traded at 20.43 yuan/kg (£2.31/kg) on the wholesale market. This was down by 3% on the month, reflecting a seasonal slide in demand following Chinese New Year celebrations in early February. Daily prices for February 26 and 27 indicate that further price falls have taken place. In late February, pork was priced around 12% cheaper than a year earlier, continuing a trend seen since late January 2017. Relative to beef and lamb, pork remains highly

competitive on the wholesale market, trading at only 35.5% of the beef price and 36.8% of the sheepmeat price in late February. However, it remained significantly dearer than chicken, trading 31.7% higher. Against all three competitor meats, pork has become relatively cheaper since the beginning of 2018.

Japanese trade statistics show that the country began the year importing 1.9% less pork than a year earlier. January shipments totalled 74,300t and came in at an average price per tonne of 529,100 Yen (£3,540/t). This average value was up 0.7% on the first month of 2017. Country-level data shows that the total volume imported from the EU declined by 7.3% year-on-year to 27,200t, lowering the EU share by 2.1 percentage points to 36.6%. Shipments from the EU came in at a marginally below average price in both January 2017 and January 2018. Of the EU countries, Spain led the way on 9,000t (+7.4% year-on-year), with Denmark second on 8,700t (-21.2%). Although imports from the US fell by nearly 10% on early 2017, it remained Japan's main supplier, delivering 20,500t - 27.5% of the total. Meanwhile, Canada increased shipments by nearly 15% to 17,800t and a 24% market share. Mexico was the fifth largest supplier, up 8% on the year at 7,000t and 9.4% of the monthly total.

Canadian abattoirs processed significantly fewer pigs during the opening month of 2018 than they had at the beginning of 2017. Throughput declined by 3.3% nationally to 1.659m head, with numbers down by 4.7% to 678,900 head in the western states and by 2.4% to 979,700 head in the east. This decline in January followed an annual expansion in throughput of 1.6% in 2017 to reach 21.594m head. Eastern states saw a calendar year increase of 2% in 2017 while there was a smaller 0.9% expansion in the west.

**Iain Macdonald – March 2018**

QMS