



Monthly Market Report

January 2017

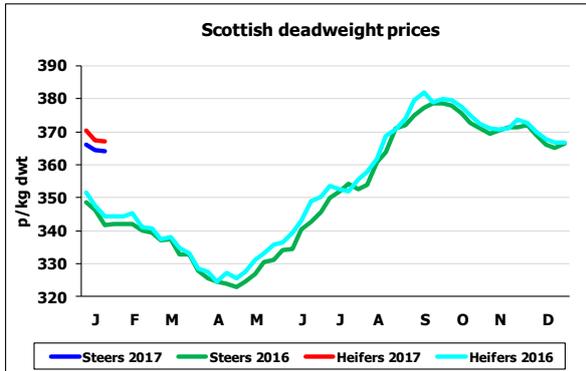
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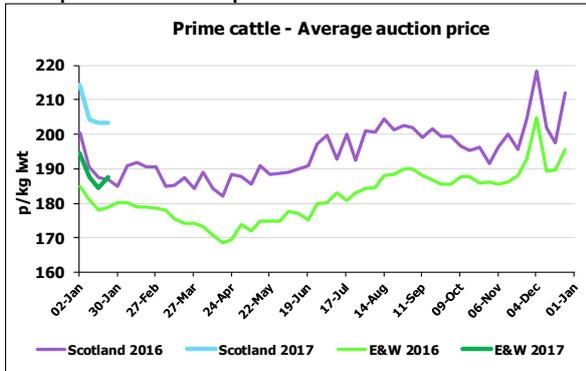
Cattle

Prices and Supplies

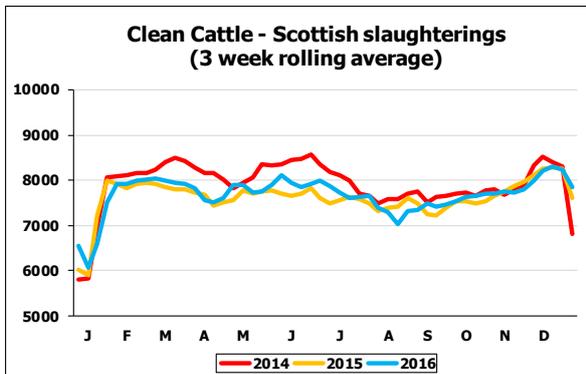


Prime cattle prices have begun 2017 by following a normal seasonal trend, falling back from pre-Christmas levels. Having averaged around 370p/kg dwt over the festive period, R4L grade steers and heifers fell back to average 368p/kg and 369p/kg respectively in the second and third weeks of January. This is despite the number of cattle being processed by reporting Scottish abattoirs falling short of mid-November-to-mid-December levels. However, with Christmas trading reported to have been stronger than a year ago, prices have not fallen as fast as they had in January 2016. As a consequence, prices have moved 6.5% ahead of year earlier levels, compared with a premium of 3-4% in December.

Prime cattle auction prices have dipped back from their festive period highs as marketings have lifted. During the three weeks to January 25, prime cattle sold for an average of 203.5p/kg lwt; well above the rolling average of 197p/kg for October and November. Meanwhile, weekly marketings were similar to October and November levels.



In E&W 96,900 prime cattle were slaughtered during December. Compared to the November 29 to December 26 2015 period the average daily kill fell by 5%, following nine months of year-on-year increases. December slaughter statistics for abattoirs in Scotland and Northern Ireland (NI) refer to the five weeks from November 27 to the year-end. In Scotland, prime cattle slaughterings totalled 37,200 head in December. Compared to the corresponding period a year earlier, this was an increase of 2.5%. Excluding the week between Christmas and New year, the average weekly kill was at its highest level since February of just under 8,000 head. In NI, the Department for Agriculture, Environment and Rural Affairs (DAERA – formerly DARD) reports that abattoirs slaughtered 30,600 prime cattle in December. This was up by just over 2% year-on-year.



Whereas Scottish abattoirs slaughtered nearly 6% more steers than twelve months before in December, the heifer and young bull kills fell by 0.5% and 3.5% respectively. As a consequence, steers made up a greater proportion of the total prime kill than in December 2015, rising from 52% to 53.5%. Meanwhile the heifer and young bull shares fell from 42% to 41% and 6% down to 5.5%. However, these shares were relatively similar to where they had been during November.

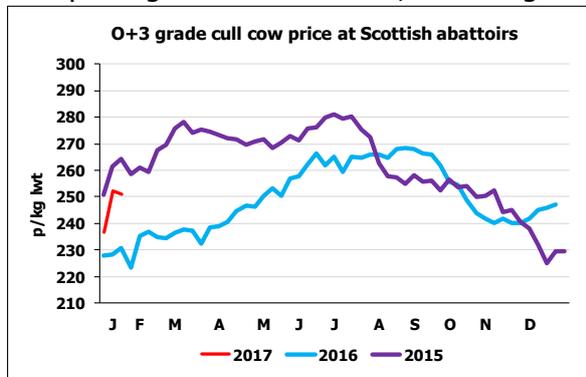
Whereas Scottish abattoirs slaughtered nearly 6% more steers than twelve months before in December, the heifer and young bull kills fell by 0.5% and 3.5% respectively. As a consequence, steers made up a greater proportion of the total prime kill than in December 2015, rising from 52% to 53.5%. Meanwhile the heifer and young bull shares fell from 42% to 41% and 6% down to 5.5%. However, these shares were relatively similar to where they had been during November.

At 363.4kg in December, the average prime cattle carcase weight at Scottish abattoirs rose for a second month, reaching its highest level since August. Despite rising by 5.3kg on the month, it remained 2kg below its year earlier level; a decline of 0.5%. Steers continued to drive the year-on-year decline, falling by 5kg (1.5%) to 381.3kg. Young bull carcasses also averaged lighter than last year, down 1.1kg at 341.9kg. By contrast, the average heifer carcase was 0.1kg heavier than 12 months before at 342.2kg.

With prime cattle slaughterings up 2.5% on the year but carcase weights down by 0.5%, Scottish abattoirs produced approximately 2% more prime beef than in December 2015.

The average price paid to farmers by Scottish abattoirs for a steer carcase during the final five weeks of 2016 was £1,403. This was up 2% year-on-year from £1,374 as a higher price per kilo more than offset lower carcase weights.

After firming towards the end of 2016, cow prices have picked up strongly into the New Year at reporting Scottish abattoirs, reflecting a seasonal rise in demand for cow beef. The O+3



grade reached a 13-week high of 252p/kg dwt in the second week of January before averaging a penny lower in the third week of the month. Meanwhile, the -O3 grade rose to a 14-week high of 242p/kg dwt in the third week of January. These were gains of 2.5% and 4.5% respectively when compared against mid-December; and 9% and 12.5% year-on-year. The auction trade in cull cows has also firmed in January. On average, cows sold for 112p/kg lwt in the three weeks to

January 25. This was up by 7p from the first three weeks of December and by 10p (10%) on the year.

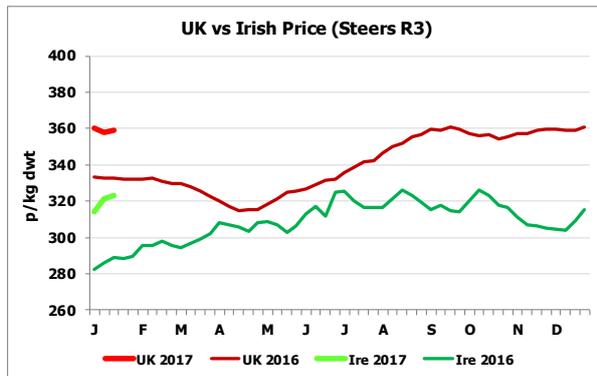
6,750 mature cows and bulls were slaughtered by Scottish abattoirs in December. Once again, this was a large increase compared to last year, up 22%. Nevertheless, weekly average slaughter fell to a five-month low and was running around 200 head per week lower than in November prior to the festive period. Defra slaughter statistics for E&W suggests that cow slaughter was up by 5.5% year-on-year. According to DAERA, the adult cattle kill in NI rose by just over one-quarter from the final five weeks of 2015.

Cow carcase weights at Scottish abattoirs trailed year earlier levels for the 20th consecutive month in December, down 3.3kg (1%) at 342.2kg. However, this was the highest since June and was up by more than 7kg on November and by 13kg on October.

In terms of annual beef production at Scottish abattoirs in 2016, it is estimated that volumes increased by 2% from 2015 to reach a three-year high of 172,200t. With a slightly higher prime kill largely offset by lower carcase weights, nearly all of the increase was accounted for by higher cow beef production.

Store cattle have begun 2017 dearer to buy at Scottish auctions than 12 months ago. 6-12 month old steers averaged £871/head in the first three weeks of the year, 7% higher than last year, while 12-18 month steers were up 3% at £1,000/head.

According to Kantar Worldpanel data, GB households continued to take advantage of falling beef retail prices during the final 12 weeks of 2016. Indeed, a 3.5% increase in the amount money spent on beef was able to purchase a 6.5% greater volume when compared with the same period a year earlier. Sales volumes for steaks, stewing beef and mince were all reported to have risen as competitive prices led increased numbers of households to buy beef. However, demand for roasts was more subdued. In the 12 weeks to December 4, chilled ready meals and steak pie sales rose relative to a year earlier, but a smaller volume of beef-based frozen ready meals and burgers were sold.



In euro terms, prime cattle prices in the Irish Republic rose in the final two months of 2016 and this upturn has continued into 2017. The average price of an R3 grade steer increased from €3.63/kg dwt (304p/kg) in the week ending December 18 to €3.72/kg (323p/kg) in the third week of January. The continuation of the upwards pressure on prices in early 2017 may well have been influenced by a dip in slaughterings during January relative to the pre-Christmas period.

When quoted in sterling, prices have risen more steeply as the sterling exchange rate has fallen since mid-December, largely down to UK Government plans to relinquish UK membership of the EU single market. Compared to the same week last year, Irish prices were down 2% in euro but 12% higher in sterling. The gap between prices in Scotland and Ireland narrowed from just over 20% in November and December to 14% in the second and third weeks of January.

At €3.75/kg dwt (326p/kg) in the week ending January 22, the average price for an R3 grade young bull in the EU was down fractionally on the week ending December 18. However, currency movements meant that EU average rose by 3.5% in sterling terms over the same period. Looking at the price movements in euro terms, young bulls advanced by 1-2% in Spain, Ireland and Poland; and by 5% in Italy. By contrast, the market was stable in Belgium and prices cooled slightly in France, Sweden and Germany. Meanwhile, the UK average fell by 3.5% in euro terms, resulting in the UK premium over the EU average halving to 4.5%.

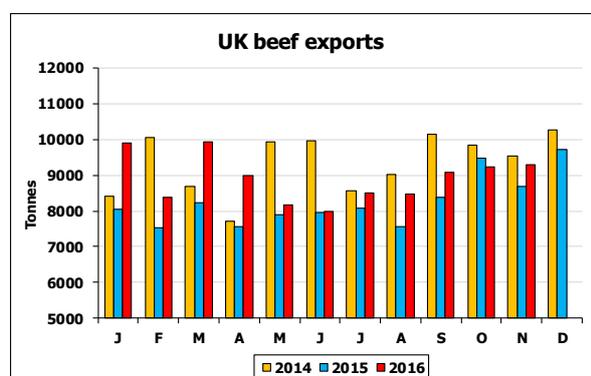
During the third week of 2017 the EU average for R3 grade young bulls was 1% lower than 12 months before. The UK showed the largest euro terms decline of the major cattle producing nations, of 6%, while prices cooled by 2% in Belgium and 3.5% in Germany. Ireland, France and Spain saw more muted annual declines of 1%. By contrast, the market advanced by 2% on the year in Sweden, by 5% in Poland, and by 7.5% in Italy.

There was a lift in the average O3 grade cow price at EU price reporting abattoirs of 2.5% between mid-December and mid-January. This pushed it to a 19-week high of €2.71/kg dwt (236p/kg). This overall increase was driven by a 6.5% increase in Germany, with prices also firming strongly in Ireland, Poland and Sweden, up 3-4%. Meanwhile, there were smaller gains to producers of less than 1% in euro terms in the UK and Italy; and of just over 1% in Belgium and France. However, the market cooled by around 2% in Spain and Holland.

Despite increasing on the month the EU average for O3 grade cows remained lower than 12 months before. The average was down by 0.5% with wide variation across Member States. For example, prices were down by 3% in Belgium and 8-10% year-on-year in Spain and

Holland, but up 4-7% in Italy, Poland and Sweden. Meanwhile, cow prices were down by 1-2% in euro terms in Ireland and the UK, but up slightly in France and Germany.

Regional price comparison			
w/e 22/01/17	Steer R3 (p/kg dwt)	Heifer R3 (p/kg dwt)	Cow O3 (p/kg dwt)
Scotland	368.1	371.7	246.7
E & W North	356.1	354.1	242.5
E & W Central	361.3	362.0	246.7
E & W South	362.3	360.1	237.3
NI	354.7	352.9	254.0
RoI	323.2	333.9	260.6
France	308.7	337.4	260.9
Germany	379.0	315.2	244.2
Holland	n/a	206.8	205.4
Spain	n/a	345.1	176.5
Poland	n/a	268.0	221.4
Italy	n/a	348.6	221.7
Sweden	478.0	434.9	374.0
EU28	340.8	332.7	235.5
USA (29/01/17)	340.9 (steer)	340.9 (heifer)	215.3 (Cutter – 90% lean & >225kg)
Australia (26/01/17)	390.0 (EYCI – steers & heifers)		290.3 (medium cow)

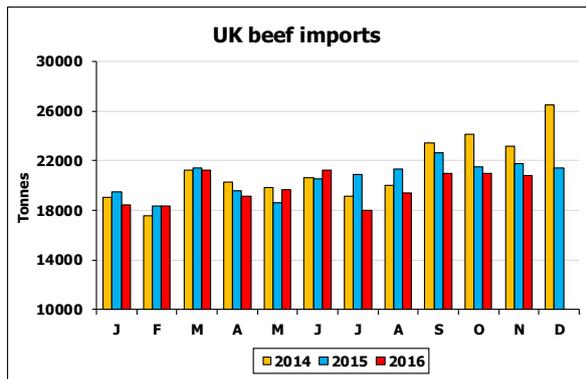


The latest HMRC trade data shows that the UK exported 9,300t of beef during November. In addition to being an 8-month high, this was up by 7.5% year-on-year; the tenth month in eleven to show an annual increase. Exports accounted for an estimated 12% of monthly abattoir production.

At just over 8,000t in November the UK's beef exports to the EU exceeded year earlier levels by 3%. Shipments to Belgium, Denmark,

France, Italy and Poland trailed year earlier levels. However, exports to the largest markets of Ireland and Holland rose by 4% and 14% respectively to total 2,950t and 2,500t. Other markets to progress included Germany, Spain and Sweden.

Non-EU markets continued to show considerable growth, rising by nearly 45% year-on-year in November to reach 1,300t. This equalled 14% of monthly exports. At 570t, exports to China/Hong Kong were once again more than double year earlier levels while another combined 460t went to Gabon and Vietnam. Closer to home, shipments to the high value but low volume Swiss market contracted by 37% year-on-year to a little over 40t.



UK beef imports trailed year earlier levels for the fifth consecutive month in November, down 4.5% at 20,800t. Imports of fresh product decreased by 4% to 15,100t while imports of frozen beef fell by nearly 5.5% to 5,700t; the lowest November import volumes for five years and four years, respectively.

The volume of beef imported to the UK from the EU fell much more slowly than overall deliveries for a third month, sliding by only 1%

to 19,650t. This meant that shipments from the EU made up more than 94% of the monthly total. A year earlier they had accounted for 91%. Imports from Ireland were down by less than 1% at 14,600t with a 2% fall in shipments of fresh beef more than offsetting a 4.5% increase in deliveries of frozen beef. Imports from Ireland accounted for 70% of the November total compared with 67.5% in 2015. Meanwhile, imports from Poland rose by 23% to 1,300t, making up 6.5% of imports compared with less than 5% a year earlier. Deliveries from Holland rose more slowly to 1,550t, but there were heavy falls in deliveries from France and Germany.

November trade data continued to show a sharp decline in beef import volumes arriving from outside the EU. Imports contracted by 40% year-on-year to 1,150t. There were declines from all of the main suppliers ranging from only 4-5% from Argentina and Botswana, to around 50% from both Brazil and New Zealand, and 80% from Namibia.

News Round Up

During the first three weeks of 2017, Irish export abattoirs slaughtered 74,400 prime cattle. This was down by 5.5% on the same period last year. However, taking into account the festive period, throughput increased at an annual rate of 3.5% over a longer 6-week period, with numbers totalling 138,600. The average weekly kill dropped from 26,400 head in the first three weeks of December down to 25,800 head in the first two full slaughtering weeks of 2017. A year ago the average weekly kill had opened the year slightly higher than in the pre-Christmas period.

Data released by LMCNI shows that there was a significant change in the balance of carcase conformation between the final quarter of 2015 (Q4) and Q4 2016 in NI. Most notably, the proportion of steers achieving a U grade declined by four percentage points year-on-year to 18.5%, whereas O grades accounted for 33.5% of the steer kill compared with 29.5% in late 2015. Meanwhile, R grades fell by a percentage point to 36% and P grades rose from 10.5% to 11.5%. Less than 0.5% of steers achieved an E grade in either year. One factor behind changing conformation is likely to have been an increase in the proportion of the steer kill with a dairy dam. This rose from 37.5% to 39.5% and is likely to have led to a rise in O and P grades. However, it should be noted that fewer steers had a dairy sire than 12 months earlier as the challenging dairy market led to an increased use of beef bulls within the expanding dairy herd. Indeed, the proportion of steers from the dairy herd with a beef sire rose from 51% in Q4 2015 to 58.5% in Q4 2016. Heifers showed larger shifts in conformation than steers, but the movement was limited to 1-2 percentage points for young bulls.

The USDA's Cattle on Feed report shows that slightly more cattle were in US feedlots as 2017 began than had been at the beginning of last year. At 10.605m head, numbers were up by 0.3%. This contrasted with the beginning of December when fewer cattle were on US feedlots

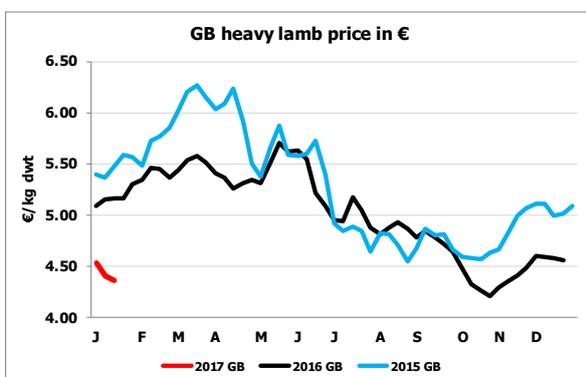
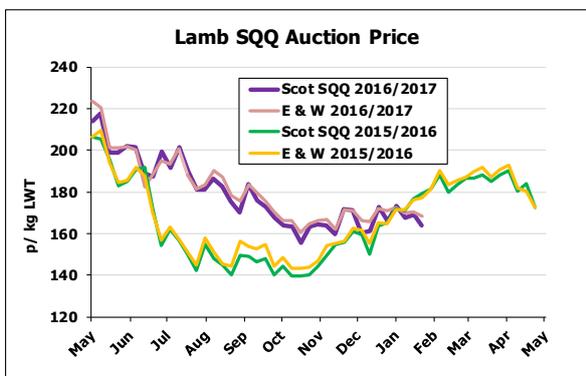
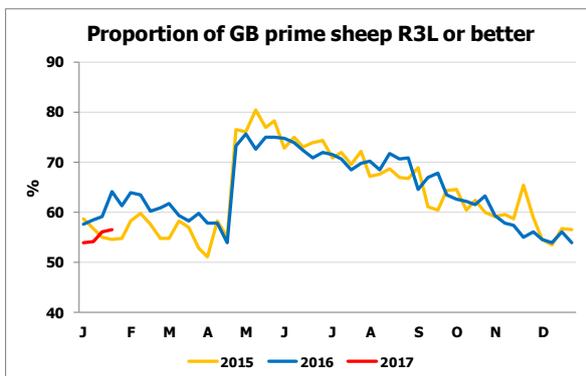
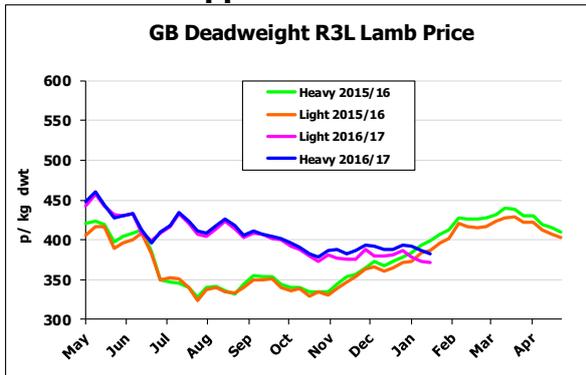
than 12 months before, reflecting a stronger increase in placements than marketings during December. At 1.795m head, placements exceeded year earlier levels by 17.5%, while marketings rose by 7% to 1.787m head. Meanwhile, other disappearance, which includes mortality and movements from feedlots to grazing, contracted by 29.5% to 55,000 head. As a consequence, the seasonal net decrease in cattle during December 2016 was smaller than it had been in December 2015. Texas, Nebraska and Kansas accounted for 65.5% of all cattle on US feedlots.

On the back of an 18% decline in cattle slaughterings in Australia during 2016, Meat and Livestock Australia (MLA) have forecast a further fall of 3% during 2017. These 7.725m cattle are forecast to produce 2.075m tonnes of beef. This is also a 3% decline in volume terms as carcase weights are forecast to stabilise at 287kg for adult cattle and 60kg for veal calves. As a function of tight supplies, a 5% decline in exports has been anticipated, with volumes forecast at 970,000t. However, 2017 is expected to be the year when the cattle population cycle begins to turn round and grow. Following three annual declines, the overall cattle population is expected to rise by 2.5% to 26.81m head. With rebuilding underway, the rolling annual average proportion of the cattle kill that were female dropped to a 35-month low in November 2016.

Final Brazilian beef export statistics for 2016 show a marginal decline in annual export volumes of fresh and frozen beef to 1.077m tonnes. However, this returned a 7% lower value in US dollars, of \$4.35bn (£3.48bn), as the average price fell by 7% to \$4,037/t (£3,225/t). Monthly trade data shows that exports grew strongly during the first half of the year (H1), before falling well behind 2015 levels during H2. December was no exception with shipments down by 16% in volume, at 87,250t; though the average value did lift relative to 2015 for a third consecutive month, up 1% at \$4,193/t (£3,350/t). Calendar year figures for exports of related products show declines in processed beef (-1% to 105,600t), casings (-13% to 18,750t) and salt beef (-20% to 3,300t), but a 3% increase in offal exports to 195,550t. Whereas the average value of processed beef, offal and salt beef fell by 8-10% from 2015, casings were, on average, 8% more expensive.

Sheep

Prices and Supplies



After trending slightly higher in late 2016 the average SQQ¹ prime lamb price at GB reporting abattoirs has cooled since the turn of the year. In the week ending January 21, prices slipped to a 12-week low of 379p/kg dwt. Given that numbers been significantly lower in January than in the run up to Christmas, a falling market points to weak demand. Furthermore, since prices rose in the early part of 2016, the market has fallen behind year earlier levels. This happened for the first time in nearly 9 months during the second week of 2017, with the following week's average down 4% year-on-year.

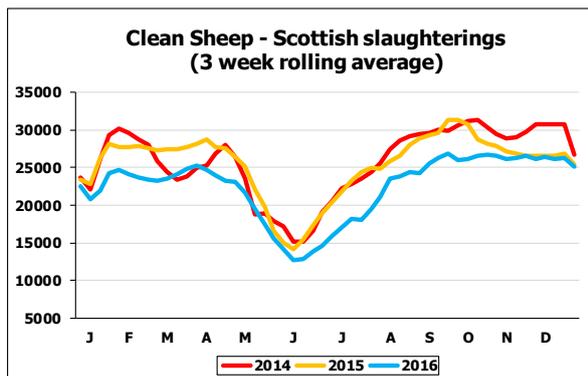
Carcase quality fell behind year earlier levels at GB price reporting abattoirs in the final two months of 2016 and this has continued to be the case in the New Year. Less than 56% of hogs graded at R3L or better in the opening three weeks of the year, down from nearly 58.5% in the corresponding period last year.

The average SQQ hogg sold for 164p/kg lwt at Scottish auctions in the week ending January 25. This left prime sheep prices at their lowest level since the first half of December. Given that the market had firmed all the way through the winter of 2015/16, prices have now fallen behind year earlier levels, averaging 8.5% lower in late January.

A weak sterling has continued to support farmgate prices into the New Year. Although producers will note that hogg prices have been trading 5-10% below early 2016 levels, when converted into euro, prices are down by 15%; and have been consistently lower than 12 months before since October. This suggests that the weaker sterling may well have shielded UK producers from a challenging market in recent months. A weak sterling has also pushed up the price of imports from New Zealand.

¹ SQQ (Standard Quality Quotation) are lambs weighing 12-21.5kg dwt and 25.5-45.5kg lwt

GB auction market data indicates that volumes have been running lower during January than in the pre-Christmas period. In the three weeks to January 25, 305,350 hoggs were sold, down 18% from the number of lambs traded in the three weeks to December 21. A year ago, the decline between the corresponding periods was 19%. North of the border, auction volumes fell by 5% between these two periods this year compared with 16.5% last year. In terms of weights, 27.5% of the hoggs sold at GB auctions exceeded the 45.5kg lwt mark during the three weeks to January 25 – very similar to the 28% figure for the same period last year. In Scotland, 25.5% of the hoggs weighed over 45.5kg compared with 23.5% in January 2016.



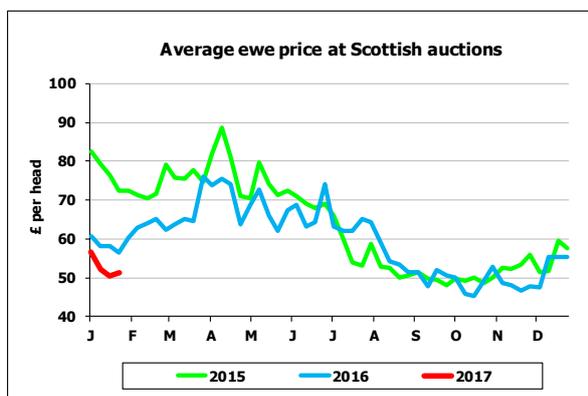
December was the only month of 2016 to see the prime sheep kill exceed year earlier levels at Scottish abattoirs. At 120,300 head, around 200 more prime sheep were slaughtered than in December 2015; an increase of 0.1%. An average weekly kill of 26,300 head during the first three weeks of the month was similar to September to November levels. It then fell back over Christmas and New Year.

After a slow start to the season, carcase weights exceeded year earlier levels for the first time in December. On average, a lamb carcase weighed 20.4kg in December 2016, up from 20.1kg in both the previous month and the same month of 2015. This was a 1.5% increase. As a result, the volume of lamb produced increased by just over 1.5% year-on-year.

In the calendar year of 2016, Scottish abattoirs are estimated to have produced 13% less sheepmeat than in 2015. This reflected an 11.5% decline in prime sheep slaughterings and a 1.5% decline in the average carcase weight. Mutton production also fell sharply.

Defra slaughter statistics indicate that 1.067m lambs were slaughtered at abattoirs in E&W during December. A working-day adjustment puts this around 1% below year earlier levels, but at the highest level of the season-to-date. DAERA reported that 38,000 prime lambs were slaughtered at NI abattoirs during December. This was up nearly 1% year-on-year, but the weekly average was significantly lower than in November.

Defra's estimate of the average prime sheep carcase weight at UK abattoirs fell back to a three-month low of 18.9kg in December. However, for the first time in 2016, this exceeded its year earlier level, rising by 0.2%.

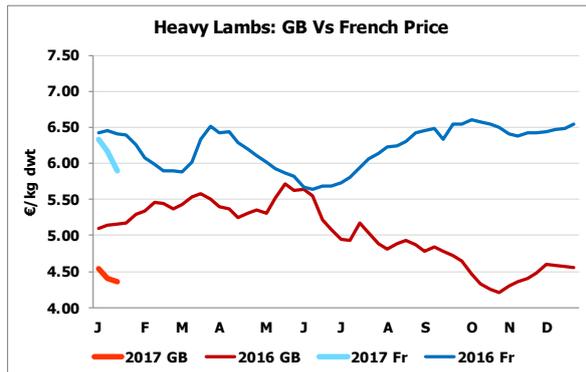


The average daily kill of mature sheep at E&W abattoirs rose by 9.5% on the month in December and was 0.5% ahead of its December 2015 level.

At Scottish auctions, the average cull ewe price picked up in the second half of December before falling back slightly in early January. Then, during the three weeks to January 25, prices averaged between £50 and £52 per head. This was down from £55 in the previous four weeks, but up from an average of £48

between October and the first week of December. Compared to the January 2016, prices have been trading approximately 10% lower. Weekly marketings of cull ewes have settled at 4-5,000 head per week in December and January; around half of their autumn peak levels.

According to Kantar Worldpanel data the final 12 weeks of 2016 was a poor period for lamb sales to GB households. With the average price of lamb rising by around 2% year-on-year, households spent 5.5% less money on lamb, buying 7.5% less in volume. A more detailed breakdown for the 12 weeks to December 4 showed declines in sales volumes across the different cuts of lamb, with roasts faring worst. Though, on a brighter note, lamb-based ready meals continued to show strong growth of over 13%.



The EU average price for heavy lambs² fell by 5% between mid-December and the third week of January, to trade at €4.55/kg dwt (396p/kg); an 8-week low. This is likely to reflect a seasonal dip in demand following the festive period. Driving the overall decline was a 12.5% fall in the Spanish heavy lamb average while there was also an above average 9% decrease in France. The French decline is reported to have, in part, been influenced by a rising supply of dairy sheep for

slaughter. Meanwhile, euro terms GB prices fell in line with the EU average. Elsewhere, there were more muted falls of 2-3% in Belgium, Germany and Holland. Prices in the Irish Republic fell by only 0.2%. By contrast, Romanian lambs were 2.5% dearer on the month and there was a 13% increase in Sweden.

The EU heavy lamb average fell further behind its year earlier level in the third week of January, down 10%. This was mostly down to year-on-year euro terms declines of nearly 16% in the UK and 13% in the Irish Republic. Prices were also significantly lower than twelve months ago in Belgium, France and Holland, down 5-8%, but fell by less than 2% in Sweden, Germany and Spain. Romania was the main exception; prices traded 14% higher.

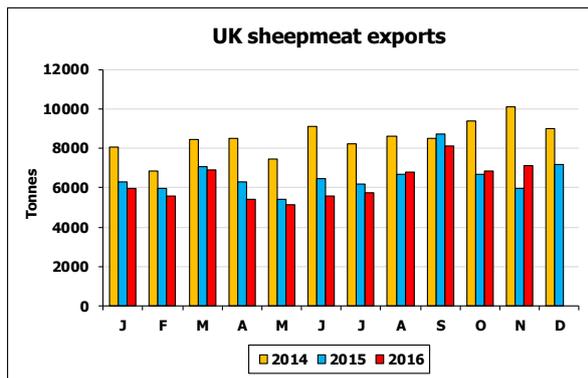
Light lamb³ prices in the EU fell back by an average of 9% over the five weeks to January 22, slipping to €5.59/kg dwt (486p/kg). There were particularly strong declines of 11-14% in Spain, Portugal, Italy and Hungary, while the Greek average fell by 5.5%. In southern Europe lamb is traditionally eaten at New Year so the decline in farmgate prices in January may well reflect a seasonal downturn in demand. However, the Bulgarian trade was stable and the market surged on the month in Croatia.

EU light lamb prices averaged 5% lower than last year in the third week of January. Prices were down by 7% in Greece and by 10-11% in Italy, Bulgaria and Hungary. Meanwhile, the important Spanish market cleared 3.5% lower. However, Portuguese prices were up slightly while the Croatian surge took their average 19% ahead of January 2016 levels.

For the third time in four months, UK sheepmeat exports exceeded year earlier levels during November. Volumes rose by 19% to 7,100t. Nevertheless, they failed to recover back to November 2014 levels. Export volumes worked out at 26.5% of UK abattoir production for the second consecutive month.

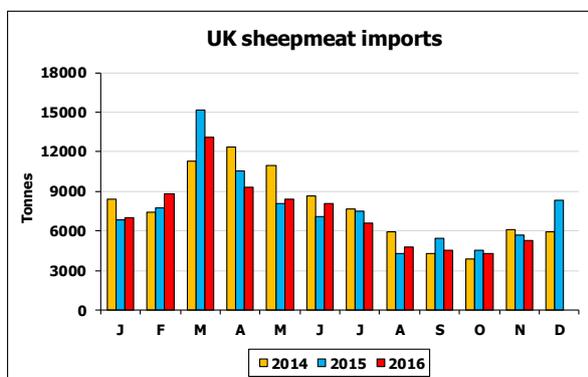
² The EU defines a heavy lamb carcase as weighing greater than 13kg

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



deliveries to Austria, Denmark, Portugal and Sweden fell significantly.

At just over 520t, UK sheepmeat exports to non-EU markets reached a 21-month high in November. Relative to a year earlier, shipments grew nearly three-fold. Shipments to Hong Kong exceeded 400t compared with only 60t a year earlier and worked out at 77% of the non-EU total.



On the import side, tight early season supplies in New Zealand (NZ) placed downwards pressure on volumes. Total sheepmeat imports decreased by 7% to 5,300t, with NZ deliveries down 9.5% at less than 3,050t. This was a 57% share of the total for NZ compared with 59% a year earlier. The average price of imports from NZ rose seasonally and, at £4,730/t, was 2% dearer than 12 months before. Part of the decline in NZ volumes was offset by a small increase in imports from Australia; though, at £3,900/t, imports from Australia were significantly cheaper, on average, than shipments from NZ. Imports from Australia rose by 5.5% to 1,500t and accounted for 28% of the monthly total, up from one-quarter in November 2015.

In terms of the smaller suppliers, imports from Ireland fell by more than a third to 300t and there were also declines from Spain, France, Holland and Uruguay. However, imports from Chile rose strongly while there was a 23.5% increase in the volume arriving from Iceland to reach 170t.

News Round up

Prime sheep slaughter in the Irish Republic rose strongly relative to a year earlier in the final two months of 2016, reflecting a larger lamb crop and delayed arrival of these lambs on the market. Data from export abattoirs shows that lamb throughput rose 7.5% year-on-year during the seven weeks to December 17. Supplies then continued to run higher over the festive period and into early 2017. Indeed, during the five weeks to January 21, slaughterings rose by more than a fifth compared to the corresponding period 12 months ago. Although the average weekly kill has fallen seasonally in January relative to the pre-Christmas period, it has fallen by less than a year ago. The average weekly kill during the two weeks to January 21 this year was down by nearly 12% on the three weeks to December 17 2016. A year ago the average kill fell by over 15% between the first three weeks of December and the first three full weeks of 2016.

Slaughter data from Eurostat shows that, excluding the UK, the EU abattoir sheep kill fell by 4% year-on-year over the September to October period of 2016. Numbers fell to 4.225m head from 4.307m a year earlier. Countries to report declines included Holland (-0.3%), Sweden (-1.5%), France (-2%), Spain (-3%) and Greece (-3%). Romania reported a substantial decline of 18%, but a large proportion of slaughterings take place outside of their abattoir system. Partially offsetting these declines were Portugal (+1.5%), Italy (+2%), Germany (+8.5%) and Belgium (+32%). Outside the EU, slaughterings fell by 1% in Iceland and by 4% in Turkey, but grew by 3% in Switzerland.

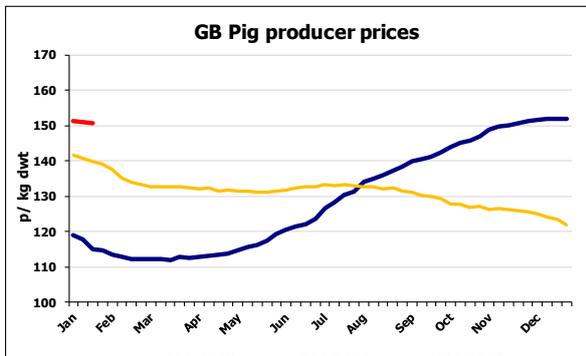
Statistics NZ data shows that, having fallen by 19% year-on-year in the June to August period, NZ sheepmeat exports declined even more significantly during the NZ spring, sliding by 24% to 53,700t between September and November. Relative to two years before, volumes were down by 12%. The seasonal decline was more significant in 2016 with the spring total 22% below the winter period (June to August). A year earlier the drop between the two periods had been less than 17%.

Regional export data from Beef + Lamb NZ shows a significant rebalancing of NZ lamb exports during Q4 2016. There were sharp reductions in deliveries to the largest markets of the EU and North Asia (including China) of approximately 30% to a combined total of just over 36,000t. Shipments to African countries also fell heavily, though from a very low base. Meanwhile, sales to North America fell marginally. By contrast, significant progress was made into the Middle East, an area of the world where Australia has traditionally been the key supplier. The volume exported to the Middle East rose to over 6,000t from less than 4,000t in Q4 2015. A more detailed breakdown shows that exports to China fell by around one-third, to just over 14,000t, while shipments to the UK were a quarter lower at less than 12,000t.

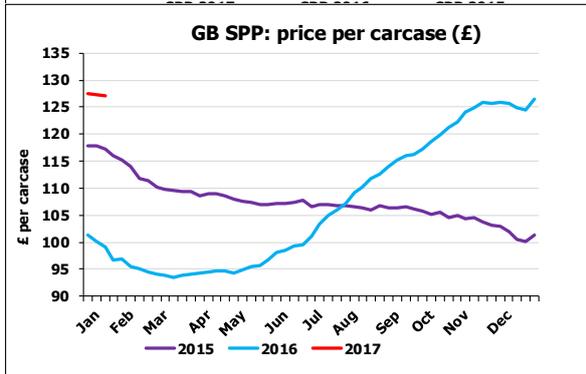
In the September to November period of 2016, 6.015m lambs were slaughtered in Australia. This was down by 0.5% on the year. However, the average carcase weight increased by 0.4kg (1.5%) to 22.3kg. Consequently, lamb production volumes expanded by 1% to 134,000t. By contrast, mutton production contracted by 23.5% to 47,700t as slaughterings fell by 26.5% to 1.839m head and the average carcase weight rose by 0.9kg (4%) to 25.9kg. Lower slaughterings in 2016 reflect consolidation in the Australian sheep flock that took place during 2015 under drought conditions. A better year of grass growth supported carcase weights in 2016 and is likely to have contributed to the sharp fall in mutton production as producers took the opportunity to rebuild their flocks.

Pigs

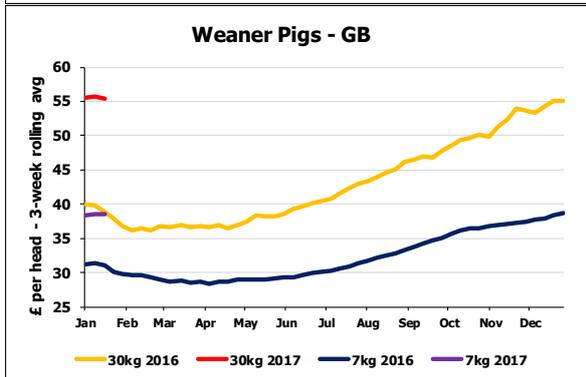
Prices and Supplies



Having risen consistently for much of the final nine months of 2016, the SPP has started 2017 by trending lower. The average price fell in each of the first three weeks of the year, cooling from 151.9p/kg dwt in the last week of 2016 to 150.6p/kg in the week ending January 21. Nevertheless, this was still a year-on-year increase of 31%; and this gap has been widening in the New Year as the market had fallen sharply at the beginning of 2016.

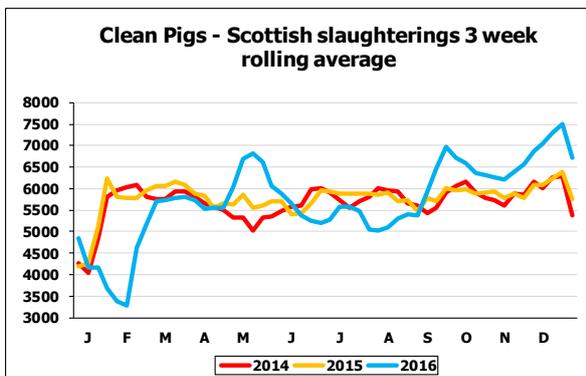


A seasonal lift in carcass weights meant that, unlike the price per kilo, the price per SPP carcass rose in the first week of 2017. However, it has since fallen slightly for two weeks, averaging £127.18 in the week ending January 21. Though down 9p on the week, it was 66p higher than its 2016-ending level and 31.5% higher than in the same week last year.

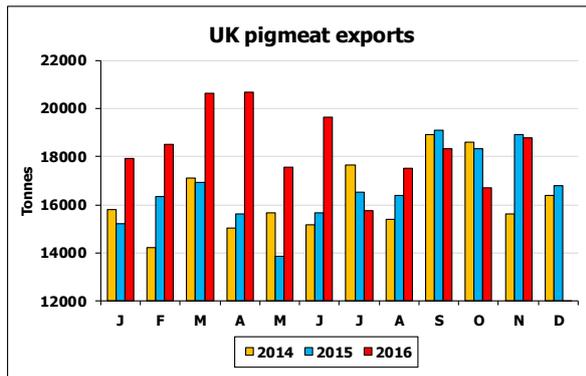


Although there has been some volatility in the average 30kg weaner price in early 2017, the three-week rolling average price has steadied at around £55.50 per head. This is slightly higher than it had closed 2016 and up by a considerable 46% year-on-year. This points to tight supplies relative to demand. Meanwhile, the 7kg weaner has also stabilised on a three-week rolling average basis, trading at £38.50/head. Though this is marginally lower than at the end of last year, it remained 28% higher than in the same period of 2016.

As a proportion of the finished pig price, the 30kg weaner equated to 43.5%; an annual increase of five percentage points. However, compared to a year ago, a 7kg weaner was worth a relatively similar 30.5% of a finished pig.



The final quarter of 2016 saw a consistent rise in the prime pig kill at Scottish abattoirs. Throughput exceeded year earlier levels by 6.5% in October and then by 13.5% in both November and December. Weekly throughput picked up from 6,300 head in October to 6,500 head in November and then ran at 7,500 head in the first three weeks of December, before sliding over the festive period.



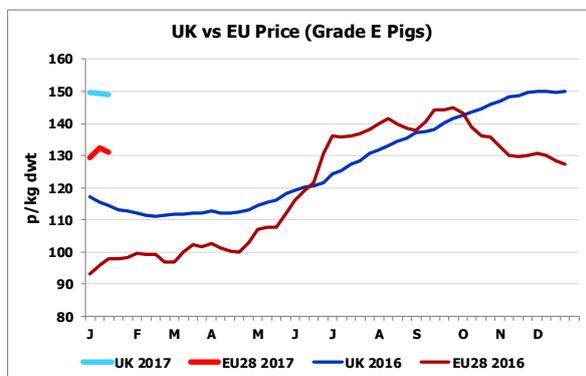
In the year as a whole, pigmeat production at Scottish abattoirs is estimated to have fallen by 1%. This was down to a 1.5% decline in slaughterings coupled with a small increase in the average carcase weight by just over 0.5%.

E&W abattoirs slaughtered 697,300 prime pigs during December. After applying a working day adjustment, December throughput is estimated to have contracted by 5% year-on-year; the fourth consecutive month to show a decline.

Meanwhile, the sow kill is estimated to have fallen relative to a year earlier for the fifth time in six months, sliding by 3.5% in December. DAERA figures indicate that the total prime pig kill at NI plants rose by 5.5% year-on-year to 150,300 head in December. However, whereas the slaughter of NI-reared pigs rose by 11.5%, 9% fewer pigs were imported for slaughter. Home pigs accounted for 75.5% of the kill, up from 71.5% a year earlier.

The average prime pig carcase weight at UK abattoirs fell seasonally in December, down 0.7kg from November to 82.1kg. However, this left it 1.1kg ahead of its year earlier level; an increase of nearly 1.5%.

The latest Kantar Worldpanel data points to a continued decline in pork sales to GB households in the final 12 weeks of 2016. Household spending on pork fell by 6.5% and, with falling prices, sales volumes fell by 4% relative to the corresponding period a year earlier. However, cheaper prices for bacon and sausages saw their sales rise by nearly 4.5% year-on-year. Data for the 12 weeks to December 4 pointed to declines in sales of all cuts except for leg roasts and pork mince. In terms of processed products, pork pie sales fell by 4%, but there were small increases for sausage rolls, sliced cooked meats and ready meals.



The EU average for grade E pigs firmed in advance of the festive period, but has since fallen back. Between mid-November and mid-December, the average rose by 3% from €1.51/kg to €1.55/kg (132p/kg), before giving up all of these gains by mid-January. These movements are likely to have followed the evolution of seasonal demand.

In the week ending January 22, Grade E pig prices in Belgium, Germany, Denmark, Poland

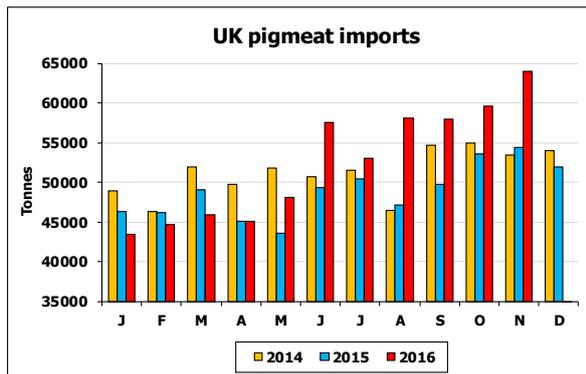
and the UK were 4-6% lower in euro terms than in mid-December. Meanwhile, prices falls were in the region of 2-3% in Holland and Italy. However, prices were down by only 0.2% in Spain and were up nearly 1% in France. Since mid-November the UK average has been trading approximately 15% above the EU average.

Compared to the corresponding week of January 2016 the EU average grade E pig price was 17.5% higher. Most of the major producing nations showed increases of 15-20%. Due to currency movements, the UK average was 14% higher than last year when quoted in euro, compared with a sterling terms increase of approximately 30%.

UK pigmeat export volumes fell short of 2015 levels for a third successive month in November, down 1% at 18,750t. Exports of fresh and frozen pork fell by 2.5% to 17,200t, but this was

partially offset by a 28.5% increase in exports of cured pigmeat, which, at 1,500t, were at their highest in any month since October 2013. Pigmeat exports were equivalent to 23% of monthly UK abattoir production during November. This was up slightly on the previous month.

The overall decline in UK shipments of fresh and frozen pork during November was influenced by lower sales to Denmark, Germany and Holland. Volumes fell by 16%, 12.5% and 0.5%, respectively to 1,600t, 2,300t and 1,600t. However, there was a 12% increase in exports to Ireland, which reached 2,900t. Outside the EU, the Far East continued to be a growing outlet. Exports to China/Hong Kong were at their highest for seven months and, at 4,900t, exceeded November 2015 volumes by 10.5%. This was 28.5% of monthly exports compared with 25% a year earlier.



November trade figures point to a continuing expansion of UK pigmeat imports. At 64,000t, volumes were up 17.5% year-on-year and were the highest monthly total since June 2010. Whereas imports of bacon & ham rose by a muted 3.5%, pork shipments continued to surge, rising by 26.5% to 42,100t. This was the highest volume of pork imported since June 2007.

Pork imports to the UK from Denmark continued to build, reaching 17,500t. This was 41.5% of the monthly total and was a year-on-year increase of 64%. A likely explanation is that this pork is being imported for further processing as part of a cross-border supply chain. Imports from Germany also rose strongly to reach 7,100t, up 22% on the year and at their highest since January 2014. Belgium, Ireland and Spain similarly delivered around a fifth more pork than twelve months previously, but imports from France and Holland fell by 15-20%.

Imports of bacon & ham to the UK from Denmark also grew strongly in November, rising by 10% year-on-year to 9,350t. Meanwhile, shipments from Holland rose by 7.5% to nearly 8,300t. By contrast, trade with Germany contracted by more than a fifth, slipping to 2,700t.

Feed Market

Ex-farm feed wheat prices in North East Scotland rose sharply back in October, before stabilising until the year-end. However, since the turn of the year they have trended higher again. After beginning 2017 at around £130/t, prices had lifted to £144/t by late January. This was 44% ahead of late January 2016 levels, partly down to currency movements. In recent weeks there have been a number of contradictory factors affecting the market. On one hand, global production and stock levels continue to be revised higher, but on the other hand, it has been reported that the domestic market is tightly supplied. This is in part down to rising poultry production pushing up demand for feed wheat. For barley, prices rose gradually through the second half of 2016 before stabilising at around £120/t in December. They continued to lack direction for most of January, but did cool to an 8-week low of £117/t in the final week of the month. Compared to a year earlier, barley was 25% dearer.

Prices for imported soyameal slipped back to around £320/t in mid-December from highs above £330/t in November. However, the New Year has seen the market drift higher once again, with prices lifting to around £345/t in late January. This reflects some downward revisions to production forecasts for the US and Argentina. Compared to late January 2016, prices traded around 30% higher, with a large part of this caused by currency movements.

News Round up

Statistics Denmark's pig census for Q4 2016 reports a 2.5% year-on-year contraction in the country's sow herd to 997,000 head. This is a record low for the survey, dating back to 1998. However, numbers did fall at a much slower rate of just 0.1% between Q3 and Q4, compared with a 0.8% seasonal decline a year earlier. Meanwhile, the number of sows expected to farrow for the first time were down by just over 2.5% from a year earlier in Q4. Other categories of pigs showed even stronger rates of decline. The number of piglets fell 5% to 2.454m head; weaners less than 50kg fell 3% to 5.703m head; and the contraction in slaughter pigs over 50kg was 6% to 2.947m head.

Spanish abattoirs slaughtered 4.181m pigs during November. Compared to November 2015 this was an increase of just under 1.5%; abattoirs handled an additional 59,600 pigs. Slaughtering in the country's largest pig producing state, Catalonia, rose by more than 5% to 1.889m head. This was 45% of the monthly kill, compared with 43.5% 12 months before and 43% in the first eleven months of 2016 as a whole. Spain's pigmeat production volumes rose by just over 1.5% year-on-year in November to reach 357,600t as the average carcass weight rose 0.1kg to 85.5kg. Production in Catalonia increased by 5.5% as its average carcass weight also edged 0.1kg higher. However, its average was 2kg below the national average meaning that it accounted for 44% of national production compared with 45% of slaughterings.

China Customs Statistics report that, during 2016, imports of pigmeat exceeded their 2015 level by 18.5%, reaching 1.62m tonnes. A lower average price of \$1,970/t (£1,570/t) meant that the dollar amount spent on pigmeat imports grew at a slower pace of 14% and reached \$3.19bn (£2.55bn). Pigmeat import volumes exceeded the combined total of beef, sheepmeat and chicken; though less money was spent buying pigmeat than the other three combined. Pigmeat imports began the year at 97,000t in January, before rising rapidly through the spring, and then peaked at 194,200t in June. After remaining close to this level in July and August, volumes fell back in September, and then averaged 114,000t in Q4.

The wholesale price of pork in China edged higher between late October and the year-end. From its annual low of 22.8 yuan/kg (£2.60/kg) in the week ending October 23, it closed 2016 at 23.5 yuan/kg (£2.70/kg). Moving into 2017, the price has taken a more pronounced seasonal upturn, rising by a further 0.8 yuan/kg to average 24.3 yuan/kg (£2.80/kg) during the third week of the year. This was around 2.5% above its year earlier level. Prices have been generally running 2-4% higher year-on-year since mid-November. Pork continued to be priced very competitively against beef and sheepmeat, trading at 45% and 53% of their respective wholesale prices. However, it was 70% dearer than chicken.

Iain Macdonald – January 2017

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