



Monthly Market Report

July 2017

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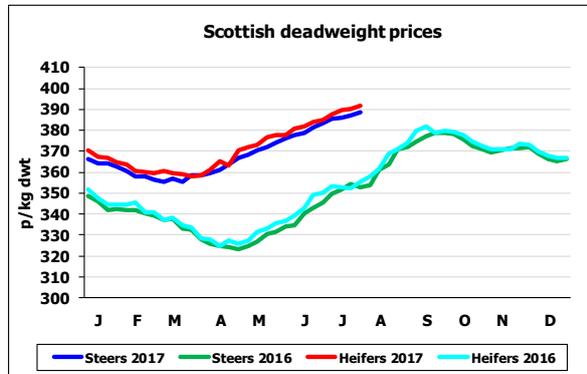
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MARKET REPORT August 2017

Cattle

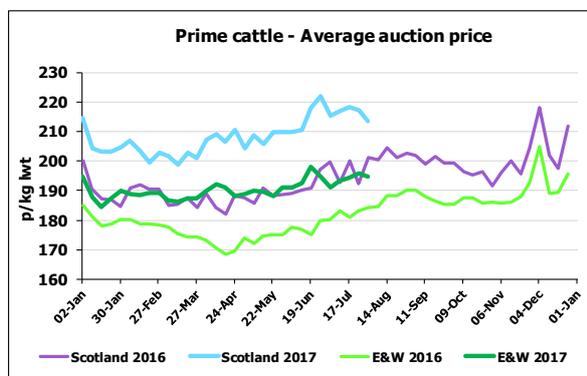
Prices and Supplies



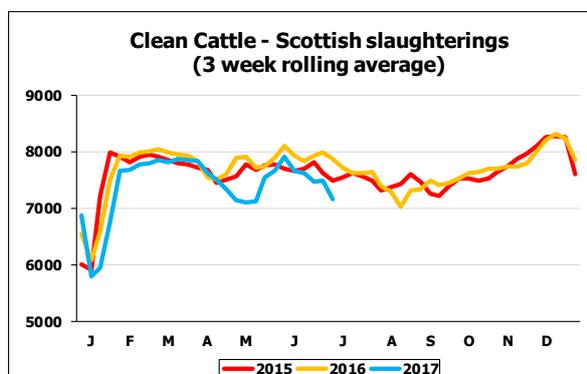
Prime cattle prices continued to trend higher through July. In the final week of the month, the average steer price at reporting Scottish abattoirs reached 391p/kg dwt. As well as being up 1.5% on the month and 10% on the year, this was the highest weekly average since January 2014. R4L grade steers averaged 393p/kg in late July. This was a 1% increase on the month and 9% on the same week last year. The number of prime cattle processed by price reporting Scottish abattoirs

fell by 4.5% year-on-year during July, with young bulls accounting for most of the decline. Indeed, 19% fewer young bulls were handled, compared to a 3% fall for steers and a 1.5% increase in heifers.

The differential between prices in Scotland and those south of the border stabilised at around 4% in July. Meanwhile, the premium for an R4L steer relative to a -U4L steer in Scotland narrowed to almost zero in the second half of July after running at 3-4p/kg through June and the first half of July. For heifers, the -U4L continued to average 5.5p higher than the R4L.



Prime cattle prices at Scottish auctions rose significantly in June before steadying in July. The three-week rolling average for prime cattle rose from 208p/kg in late May to 217p/kg at the end of June, before fluctuating in a narrow band of 216-218p/kg during July. However, it did close July at the lower end of this range. Marketings have remained at similar levels in June and July of 315 head per week. However, this was down by more than 20% from last year. Prices averaged 9.5% higher than in July 2016.



Slaughter statistics for June 2017 are based on a four-week statistical month for Scotland and Northern Ireland (NI), beginning on June 4 and ending on July 1. The E&W figures relate to the calendar month and have been adjusted to reflect the number of working days.

In Scotland, abattoirs slaughtered 29,200 prime cattle during June. Compared to the same period last year, this was a decline of 7.5%. In contrast to 2016, when the weekly average kill increased slightly between May and June, it fell back this year by 4% to 7,300 head, emphasising the fall in numbers. It is possible that a plant breakdown or construction work had an impact, with numbers down particularly significantly in the final week of the month. Nevertheless, slaughterings were still down by

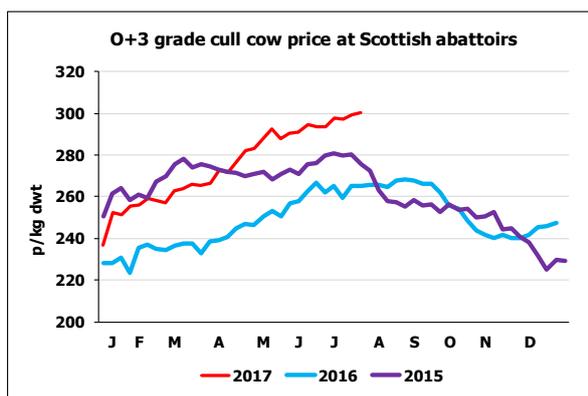
6% on last year during the first three weeks of the month. In England & Wales (E&W), throughput of 102,800 head trailed year earlier levels by 4.5% after a calendar day adjustment. In Northern Ireland (NI), DAERA figures show that although the average weekly kill dropped by more than 9% between May and June, slaughterings still exceeded June 2016 levels by 4% at 24,050 head.

Scottish Government slaughter statistics for June reported year-on-year declines in slaughterings of all three categories of prime cattle. Steers showed the smallest fall, of 3.5%, while the heifer kill was down by 8%, after stabilising relative to last year in May. The young bull kill continued to show a considerable decline with numbers down by more than a fifth on June 2016. However, despite this heavy fall relative to last year, young bull numbers did show a seasonal lift and accounted for 12.7% of prime cattle throughput compared with 10% in May. However, this share was two percentage points lower than in June 2016. Heifers almost matched their year earlier share of 34.2%, accounting for 34% of the kill, while steers rose by 2.4 percentage points to reach 53.4% of monthly volumes.

The average prime cattle carcass weight at Scottish abattoirs in June was 369.6kg. This was down by 1.6kg on the month and by 4.2kg (1.1%) on the year. The month-to-month change was smaller than the 3.9kg decrease seen between May and June last year. Steers averaged 383.1kg, down from 386.8kg in May and 390.7kg in June 2016, giving an annual decline of 2%. At 346kg, heifer carcasses averaged 0.7kg lighter than in May but 0.5kg (0.1%) heavier than in the same month last year. Although the young bull average carcass weight showed a seasonal increase of 2.8kg on the month, its June average of 373.4kg trailed its year earlier level by 4.4kg (1.2%).

Combining the fall in throughput and carcass weights at Scottish abattoirs indicates that prime beef production fell 8.5% short of year earlier levels during June.

At £1,456, Scottish abattoirs paid 11.5% more for a steer carcass during June 2017 than twelve months before. Though producers benefitted from a 13.5% higher price per kilo, this was partially offset by the 2% fall in the average carcass weight.



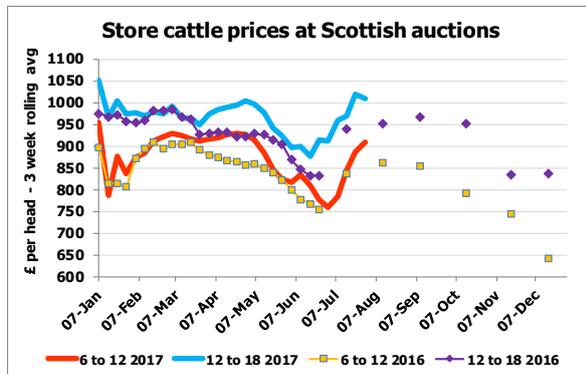
Like the prime cattle market, cull cow prices continued to firm through July. By the end of the month the O+3 grade had reached £3/kg dwt for the first time in four years. On the month, prices were more than 2% higher, and on the year, almost 13.5% higher. Prices have continued to lift despite volumes picking up; price reporting abattoirs processed their highest weekly number of cows for five months at the end of July. In contrast to deadweight prices, auction values for cull

cows lacked overall direction in July and were down marginally from June. The three-week rolling average price hovered between 131.5p/kg and 133p/kg lwt during July compared with 132-134p/kg in the previous month. However, this was still a year-on-year gain for sellers of 14%. Dairy-sired cows generally traded at around 106-108p/kg. For beef cows, prices firmed to over 140p/kg in the middle of July, but have since dipped back towards the mid-130's.

During June, the average weekly mature cattle kill at Scottish abattoirs was 10% lower than in May at 1,100 head. By contrast, last year, there had been a 7.5% increase from May to June. As a consequence, slaughterings fell 9% short of June 2016 levels, slipping to 4,400

head. Defra slaughter statistics for E&W suggest that the mature kill was down by 6.5% year-on-year in June; the fifth consecutive month to show a decline. According to DAERA, NI abattoirs handled 14.5% more cows and bulls than a year before.

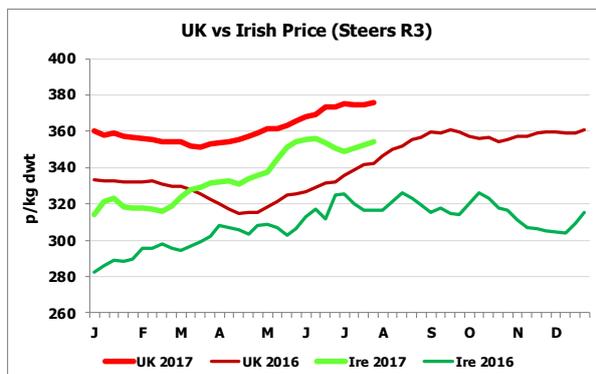
Having edged in front of year earlier levels in May, the average cow carcase weight at Scottish abattoirs fell back behind year earlier levels for the 25th time in 26 months in June. At 342.3kg, they were down by 3.1kg on the month and by 2.2kg (-0.6%) on the year. In 2016, they had edged higher between May and June.



The store cattle trade rebounded in July after a seasonal decline in prices through May and June. At £909 in the final week of July, the three-week rolling average price for a 6-12 month steer was up by £150 from its late June low point and at its highest level since the opening week of May. Meanwhile, at £1,010, the 12-18 month steer price was £98 higher than in late June and at its third highest of 2017. Weekly marketings have also risen in

July, returning to volumes last seen in May. Compared to the same month last year, store cattle prices averaged 7-8% higher during July. 3.5% more 6-12 month stores were sold than last year in July, but marketings of 12-18 month stores fell back by 16.5%.

The latest household purchasing data from Kantar Worldpanel indicates that beef sales struggled in the 12 weeks to mid-July. It is estimated that households spent 2.5% less money buying beef than in the same period of 2016 and, with the average price firming by around 3% to £8.08/kg, sales volumes decreased by 5.5%. However, burgers performed better, with a small average price increase to £6.32/kg failing to prevent sales volumes from rising by nearly 1%.



Having trended higher for more than six months, Irish prime cattle prices have cooled in euro terms since the beginning of June. From a peak of €4.07/kg dwt (£3.66/kg) in the week ending June 11, R3 grade steer prices had slipped to €3.96/kg (£3.56/kg) by the opening week of July, before steadying. However, a weakening of sterling during July meant that this €3.96/kg translated into a 1.5% higher sterling price in the final week of the month than it had in early July.

Compared to the same week last year, prices were 5% higher in euro, but 12% higher in sterling terms. Throughout July, Scottish prices traded 11% above Irish levels, up from 6-8% between mid-May and mid-June, but similar to a year ago.

The EU average price for an R3 grade young bull continued edging higher in July, rising by 1% during the month and ending it at €3.75/kg dwt (335p/kg). Prices were relatively flat in the major beef producing nations. The largest gains, of 1-2%, were in Germany and Poland, while there were gains of less than 1% for producers in Spain, France and Holland. Belgian prices were unchanged on the month, but there were small euro terms declines in the Irish Republic, Sweden and the UK.

With the average R3 grade steer rising at a similar rate in July 2017 as they had twelve months before, the average price remained around 4.5% higher than last year during July. As the month drew to a close, prices exceeded year earlier levels by 4-5% in Poland, Spain and the Irish Republic; and by 5.5% in France. German prices continued to outpace the EU average, up 7%. However, the euro terms year-on-year increases were below average at 1.5% in Belgium and 2.5% in the UK, while the Swedish average was down by 2.5% on late July 2016.

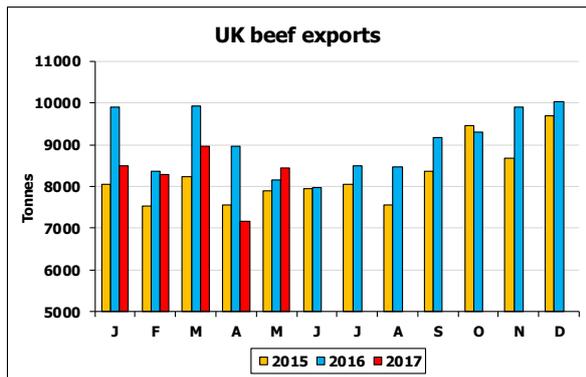
A period of rising cull cow prices came to an end in July with the EU average for an O3 grade ending the month 1% lower than it had begun it, trading at €2.97/kg (£2.65/kg). Euro terms prices fell slightly faster than the EU average in France, Germany, the UK, Holland and Poland; and by 3% in Italy and Sweden. By contrast, Belgian prices edged higher and there were increases of 1% in Ireland and 4% in Spain.

Despite easing back in July, the EU average for O3 grade cull cows ended the month 9% above its year earlier level. Germany continued to underpin the EU average, up 16%, but there were also significant contributions from Spain (+9.5%), Ireland (+12%), Italy (+13%), Poland (+13.5%) and Holland (+16%). Meanwhile, euro prices were up by a below average 4% in France, 7% in the UK and 7.5% in Belgium. By contrast, the Swedish average was 3% lower than last year.

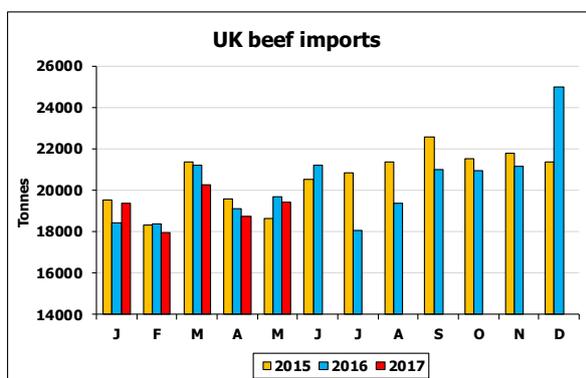
Regional price comparison			€1 = £0.894
w/e 29/07/17	Steer R3 (p/kg dwt)	Heifer R3 (p/kg dwt)	Cow O3 (p/kg dwt)
Scotland	393.7	393.7	293.1
E & W North	371.6	370.8	275.4
E & W Central	373.8	377.5	279.8
E & W South	376.4	373.4	284.2
NI	370.4	371.3	286.8
RoI	354.2	363.4	287.9
France	333.4	349.5	290.5
Germany	401.8	328.5	283.5
Holland	n/a	262.8	250.3
Spain	n/a	346.9	199.4
Poland	n/a	281.0	243.9
Italy	n/a	363.3	244.9
Sweden	426.2	414.1	366.6
EU28	363.0	346.6	265.4
USA (06/08)	316.5 (steer)	316.2 (heifer)	244.7 (Cutter – 90% lean & >225kg)
Australia (03/08)	348.7 (EYCI – steers & heifers)		254.0 (medium cow)

HMRC trade figures indicate that May was the first month in 2017 to see higher UK beef export volumes than a year earlier. At 8,400t, volumes were 3.5% higher than last year and reached a three-year high for the month. Export volumes were equivalent to 11% of UK beef production during May. This was up by a percentage point on the month, and matched its year earlier level.

Although total exports increased, the UK sold less beef to the EU than in May 2016. Indeed, volumes fell by 4.5% to 6,900t, despite a favourable exchange rate. A weak sterling has been underpinning trade values rather than volumes in 2017. Exports to Ireland firmed in May to their highest of the year-to-date and were up by 6.5% on last year at almost 3,200t. However,



years, accounting for 19% of total exports, up from 12% in May 2016. The principal market, Hong Kong, bought half of total shipments to non-EU countries and volumes rose by 50% year-on-year to this market.



UK beef imports fell slightly compared to 2016 for a fourth month in a row, down 1.5% at 19,400t in May. Whereas imports of fresh beef rose by 2.5% to 14,000t, deliveries of frozen beef declined by 10% to 5,400t. Fresh beef accounted for 72% of May imports, up from 69.5% in May 2016.

A breakdown of imports by supplier for May shows that EU countries sent 6% more beef to the UK than in May 2016, with volumes climbing to 18,500t. Imports from the largest supplier, Ireland, exceeded year earlier levels for an eighth successive month, growing by 3% to 13,600t. This was 70% of total imports, up three percentage points on the year. Imports from Poland also increased, rising by more than half to 1,800t, but Holland delivered 6.5% less beef, with volumes slipping back to 1,400t. Germany, France, Spain, Belgium and Italy also delivered more to the UK than in May 2017, but less beef arrived from Denmark.

Beef imports from non-EU countries continued to contract heavily in May, down 60% year-on-year at 900t. Volumes from Argentina, Uruguay, Australia and New Zealand fell at below average but still significant rates, while imports from Botswana, Namibia and Brazil contracted by more than the average. Paraguay was an exception, rising 40%.

News Round Up

During July, Irish export abattoirs slaughtered 95,050 prime cattle. Relative to the same period a year earlier, this was an increase of 8.5%. However, this was a smaller increase than June's 12% with the average weekly kill dipping by 1.5% between June and July this year whereas it had risen by a similar degree last year. A breakdown of the kill by category for July shows that heifers increased in line with the prime cattle average and accounted for an unchanged 33% of the total. However, whereas the steer kill rose by 14.5%, 13.5% fewer young bulls were processed. As a result, steers made up 55.5% of slaughter compared with 52.5% a year earlier, while the young bull share fell by three percentage points to 11.5%.

The EU Commission has published year-end totals for beef imports under the EU's 'Hilton quota' scheme for the July 2016 to June 2017 period. Beef entering the EU market under the Hilton quota faces a 20% tariff and must meet certain quality criteria based on the originating

country's carcass grading system. Out of a maximum of 69,200t (66,750t of beef and 2,450t of buffalo meat), 44,700t was used, giving a fill rate of 64.5%. This was a three-year low, down from 68% in 2015/16 and 66% in 2014/15. Fill rates varied significantly across countries with Uruguay delivering slightly more than its allocation of 6,300t and Paraguay at 98% of its 1,000t allocation. Meanwhile, Argentina, Brazil and New Zealand ranged from 78% to 89%, but Australia was much lower at 57% and the US/Canada shipped less than 4% of its 11,500t quota. In the quota for 'high-quality beef' (from grain-fed animals under 30 months of age at slaughter), the entire 48,200t allocation was made use of in 2016/17, compared with 99.8% in 2015/16 and 98.3% in 2014/15.

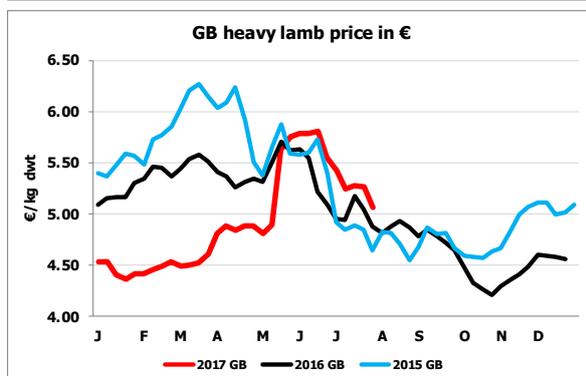
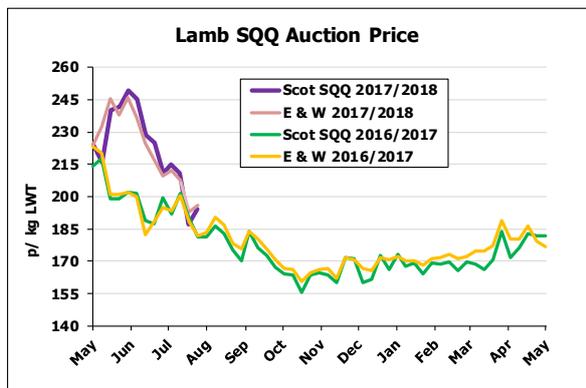
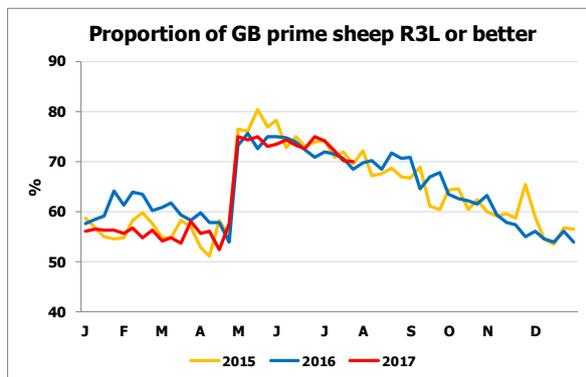
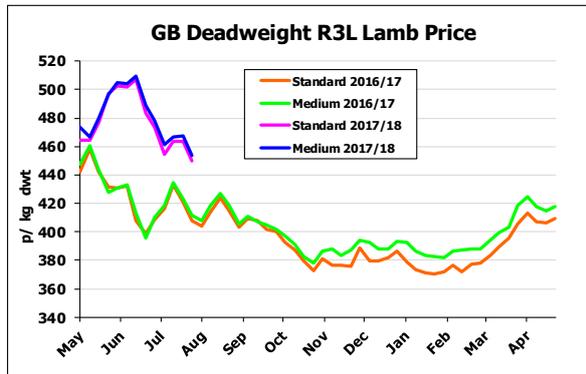
Japanese imports of frozen beef were high enough in the second quarter of 2017 (Q2) for a special safeguard clause to be implemented, aimed at limiting further import growth. The safeguard is implemented when there is a year-on-year increase in imports during a quarter of the year of greater than 17%. In 2017, imports of frozen beef rose by 17.1% to 89,250t. The safeguard raises the import tariff on frozen beef from 38.5% to 50% from all countries that do not have a preferential access deal. However, since imports of fresh beef rose by less than 17%, tariffs on fresh beef will be unchanged. The period in which this increased tariff will be in place began on August 1 and will last until 31 March 2018. Japan's principal suppliers of beef are the US and Australia. While the former will face the increased tariff, the latter benefits from a free trade deal, with its tariff remaining stable at a lower rate of 27.5%.

Cattle supplies in North America have been running well above 2016 levels this year. In the May to July period, Canadian abattoirs slaughtered 11% more cattle (aged over 12 months) than a year earlier, with numbers climbing to 733,300 head. Meanwhile, in the USA, throughput rose by 5.5% over the same three-month period to 7.999m head. While the number of veal calves slaughtered also increased by 5.5% in the US, to 114,500 head, 5.5% fewer calves were processed in Canada, easing back to 49,700 head. A well supplied market has reportedly placed downwards pressure on the prices that US importers are willing to pay for manufacturing beef from overseas.

Australia's beef exports contracted at a year-on-year rate of 9% during Q2 2017, slipping to 257,100t. However, this was a slower rate of contraction than the 12% seen during Q1. Exports to the US fell by 18% to 62,200t, but trade with Japan grew by 3.5% to 74,100t. As a result, Japan overtook the US as Australia's largest customer, accounting for 29% of quarterly deliveries, compared with 24% to the US. These shares had been 25% and 27%, respectively, in Q2 2016. Like Japan, China was a growth market for Australian beef exports in Q2 with deliveries rising by 10.5% to 26,700t. By contrast, sales to Korea fell by 21% to 34,900t and Indonesia was down by 31% at 14,200t. Smaller markets tended to fall, though Canada, Saudi Arabia and the Philippines were exceptions.

Sheep

Prices and Supplies



After a strong start to the 2017/18 season at reporting GB abattoirs, SQQ¹ prime lamb prices cooled in late June and early July before steadying in mid-July. This coincided with volumes showing signs of stability after picking up in each week from the beginning of May until the first week of July. Prices and volumes then dipped back in the final week of July, indicating a weakening of demand. At the end of July, lambs averaged 453p/kg dwt, compared with 478p/kg at the end of June. However, prices remained around 10% higher than last year for a fourth week. Standard lamb carcasses averaged 442p/kg dwt, while abattoirs paid an average of 13p/kg more than this for a medium carcass. The gap between standard and medium R3L grade carcasses was much smaller at 4p/kg.

71.5% of new season lambs graded at R3L or better in July versus 70% in the same month last year. However, the proportion has begun to fall seasonally, dipping to 70% in the second half of July from 74% in June.

At Scottish auctions, new season lamb prices cooled at the beginning of July, slipping from around 225p/kg down to 210p/kg. This reflected the continuing seasonal build in supplies plus a post-Ramadan dip in demand. The market then steadied for three weeks before slipping back below the £2 a kilo lwt mark in the week ending July 26, trading at 187p/kg. As the month ended, the average price picked up again, reaching 194p/kg. This was 7% above the same week last year.

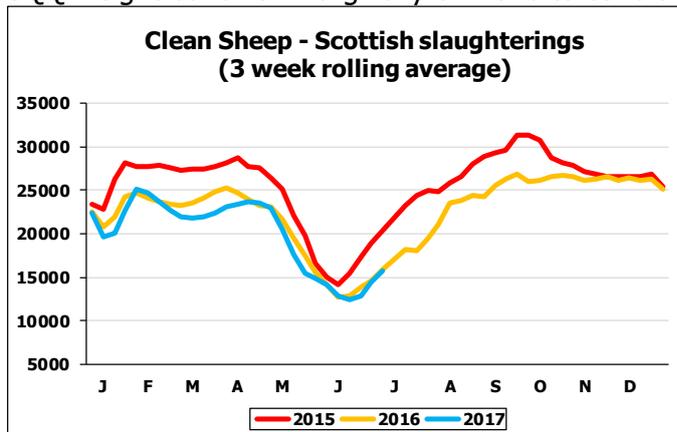
The weakening of sterling during July converted a 5% fall in GB farmgate lamb prices into a decline of more than 6.5% in euro terms. In addition, a weaker sterling than twelve months ago meant that the GB average closed July 4% higher than a year earlier in

euro terms, compared to a 10% rise in sterling prices. Exchange rate movements have

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

supported the price competitiveness of GB lamb on the continent given the context of higher prices than last year in numerous EU countries plus New Zealand.

GB auction market data for July (five weeks ending August 2) reveals that 11% fewer prime sheep were marketed than in the corresponding period last year. Although the long tail of hogs boosted hogg numbers by a quarter, lamb marketings declined by 11%, lowering the combined total to 512,600 head. One factor at play will have been the earlier timing of Ramadan which pulled demand forward into June this year. In the thirteen weeks from early May up until the end of July, 2% fewer lambs were sold at GB auction markets than in the same period last year; however, there was a 1.5% increase in Scotland. At the GB level, 92.5% of new season lambs weighed between 25.5kg and 45.5kg lwt during July 2017, up from 91.5% twelve months before. North of the border, the proportion of lambs within the SQQ weight band fell marginally on 2016 to 89% this July.



Prime sheep slaughterings trailed year earlier levels by 2% in June at Scottish abattoirs. Over the four week period, 60,300 prime sheep were processed, averaging 15,100 head each week. A seasonal lift in supplies resulted in the average weekly kill rising by 10% from May. In 2016, the weekly average rose by 8% between May and June.

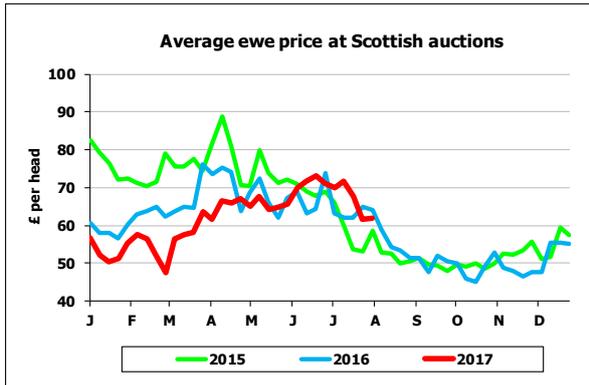
The average prime sheep carcass weight at Scottish abattoirs was fractionally lower than twelve months before in June at 19.9kg. As lambs accounted for a higher proportion of the prime kill than in May, carcass weights fell by 0.3kg on the month.

The combination of a lower kill and carcass weights meant that Scottish abattoirs produced around 2.5% less prime sheepmeat than a year earlier during June.

Defra slaughter statistics for June indicate that abattoirs in E&W processed 939,200 prime sheep during June. In absolute numbers, this was the highest monthly volume since last December. After adjusting for working days, throughput was up by 1% on the month and by 3.5% year-on-year. DAERA slaughter statistics show that NI abattoirs handled 2.5% more prime sheep during June than a year earlier, but that average weekly numbers picked up at a slightly slower rate of 55.5% between May and June than they had in 2016.

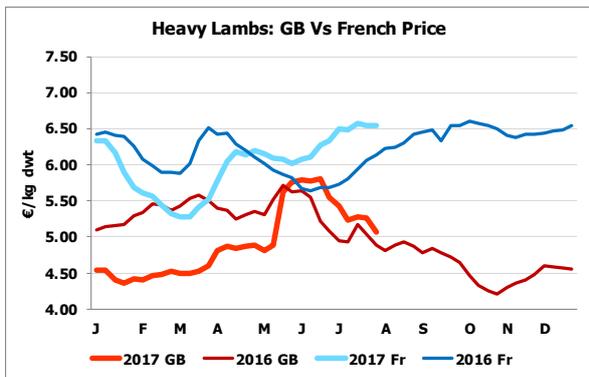
With the transition to new season lambs continuing, the average carcass weight at UK abattoirs during June is estimated to have slipped by 0.7kg on the month to a nine-month low of 19.1kg. Nevertheless, carcasses weighed considerably heavier than the June 2016 average of 18.4kg, with the increase working out at 4%.

June saw 127,900 mature sheep slaughtered at E&W abattoirs. After adjustment, the rate of year-on-year decline remained at 3.5% - a similar rate to the longer March to June period.



The average cull ewe price at Scottish auctions fell significantly in the second half of July, having held firm around the £70 a head level for six weeks. At £62 a head, prices traded at a four-month low and were down by 4-5% year-on-year in late July. The recent decrease in market prices is likely to have been driven by a considerable rise in marketings. Indeed, weekly auction sales averaged 84% higher in the three weeks to August 2 than in the previous six weeks.

Kantar Worldpanel indicates that the volume of lamb retailed in GB continued to fall well short of 2016 levels during the 12 weeks to July 16. It is estimated that households spent 6% less than a year earlier on lamb and this translated into an 8% decline in sales volumes. This indicates that the average price increase of around 2% to £8.85/kg had a downward impact on sales. However, tight supplies of imported lamb and increased export margins are likely to have weighed on overall availability.



The EU average price for heavy lambs² closed July 5% lower than it had begun the month at €5.18/kg dwt (463p/kg). This was mostly down to seasonal declines in the British Isles with the GB average sliding by 6.5% in euro terms, the NI average falling 9.5% and the Irish Republic price cooling by 7%. Prices also fell in Sweden (-2.5%), Belgium (-4%), Croatia (-5.5%), Italy (-6%) and Romania (-10.5%). By contrast, there were small movements higher in France (0.5%), Holland

(0.5%), Spain (1.5%) and Germany (2.5%).

Although the EU average drifted lower in July, it remained 6.5% above its year earlier level at the end of the month. There were below average increases of 2-4% in euro terms in Sweden, NI, Holland, GB and Germany, while the French average rose in line with the overall average and Spain led the way, up 9%. However, prices were not uniformly higher; the Romanian average was down by almost 12%.

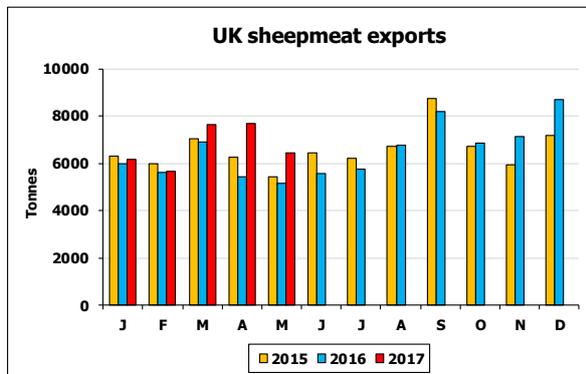
The EU average light lamb³ price rose by 1.5% during July, ending the month at €5.41/kg dwt (484p/kg). This small increase was underpinned by a 1.5% rise in Spain, to €5.83/kg (£5.21/kg), plus increases of 6% and 9.5%, respectively, in Greece and Hungary. However, prices were flat in Bulgaria and cooled by 1% in Portugal, 3% in Italy and by 12.5% in Croatia.

With only a small monthly increase, the EU light lamb average continued to trail its year earlier level, down 4% at the end of July. Spanish prices continued to recover but remained at a significant annual discount of 10%. Meanwhile, Greek prices fell 2% short of late July 2017 and the Bulgarian average was down marginally. Nevertheless, prices did close July at an annual premium in Portugal (+3.5%), Italy (+4%), Croatia (+12.5%) and Hungary (+19.5%).

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

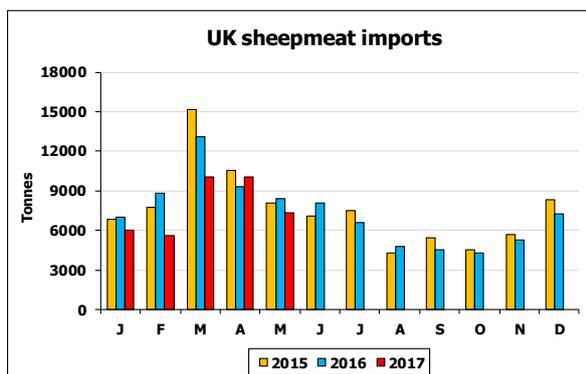
Monthly UK sheepmeat exports showed an eighth successive annual increase in May, rising by a quarter to 6,450t. Since 2000, this volume has only been exceeded in May during 2013 and 2014. Volumes worked out at 28.5% of monthly abattoir production, down seasonally from March and April, but four percentage points higher than in May 2016.



The UK exported 5,950t of sheepmeat to the EU during May. This was nearly a fifth higher than in May 2016, underpinned by a 28% rise in shipments to France. At 2,950t, sales to France worked out at 46% of total sheepmeat exports; their highest share since January and up by a percentage point on May 2016. The fast-growing markets of Belgium and Germany continued to show positive results in May, rising by 18.5% and 20% respectively, to 570t and 1,110t. There was also a large increase

in deliveries to Holland, of 59% to 390t, but exports to the Irish Republic contracted by 14% to 660t. Of the smaller markets, Spain, Portugal and Italy showed increases, but Sweden, Austria and Denmark disappointed.

Sheepmeat exports outside the EU also showed strong growth in May, rising by 161% to 500t and 7.5% of total export volumes. Shipments to Hong Kong more than trebled to 350t.



After rising in April, largely down to the timing of Easter, UK sheepmeat imports reverted to year-on-year contraction in May, down 14% at 7,300t. Volumes fell for the eighth time in nine months and slumped to a 17-year low for May.

82% of the UK's monthly sheepmeat imports originated from New Zealand (NZ) in May, totalling 6,000t. Although a four-percentage point increase in market share from a year

earlier, this volume was still down by 9%. The average value per tonne arriving from NZ continued to exceed 2016 levels by a significant margin, up 26% at £4,760/t. This reflects higher farmgate prices in NZ plus the weaker sterling exchange rate. It also suggests that NZ exporters have attempted to maintain margins rather than support volumes by lowering prices, likely down to tight supplies limiting the availability of lamb for export. Australia also shipped less sheepmeat to the UK at a higher average price than twelve months before in May. Volumes were down by 41.5% at 410t and 27% dearer at £4,170/t. This saw the Australian share of imports drop to 5.5% from over 8% in the same month last year. Imports from Ireland also fell sharply, down 38.5% at 455t.

News Round up

During July, Irish export abattoirs slaughtered 1% more prime sheep than in the same period last year. Numbers increased to 199,700 head, at an average of 49,900 head per week. This was 4,900 head above the average weekly volume for the year-to-date. However, the rate of increase in the prime kill has slowed significantly from May and June when numbers had risen by 9% and 3.5% respectively.

French Agriculture Ministry data shows that the country imported slightly more sheepmeat during the first third of 2017 than in the same period a year earlier. Volumes rose by 0.3% to 28,900t. The three main suppliers, the UK, NZ and Ireland, gained market share, accounting for 80% of the total compared with 76% in early 2016. Imports from the UK rose by 4% to 11,650t; imports from NZ rose by 6% to 6,200t; and deliveries from Ireland were up 12% at 5,300t. Imports have recovered slightly this year following a prolonged downwards trend. Indeed, total volumes were still a fifth lower in the first third of 2017 than they had been in 2012. Shipments from the UK and NZ have contracted more strongly than the average over this period, down by a respective 21% and 23.5%. Though imports from Ireland were 12% above 2012 levels during the January to April period, they have also been trending downwards in recent years.

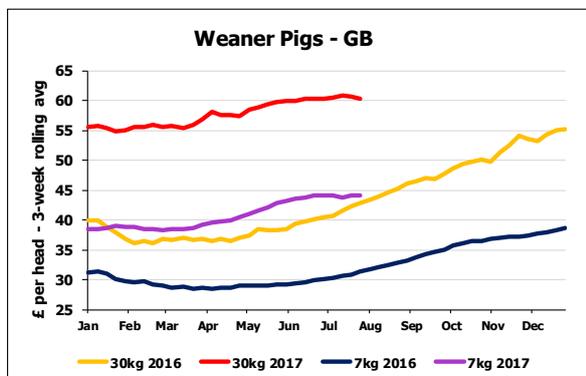
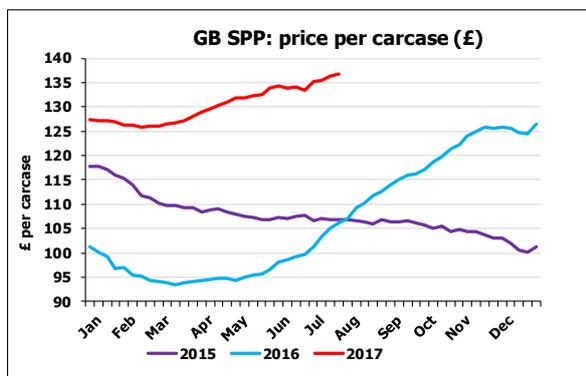
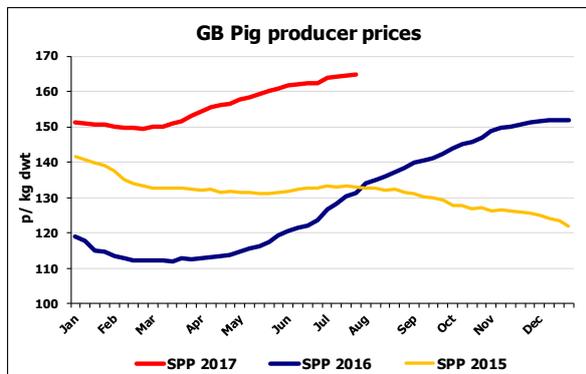
1.229m lambs were processed by NZ abattoirs during June. This was the second consecutive month to show a year-on-year increase, rising by 7% on the back of a 4% lift in May. With higher carcass weights, these increases were even stronger when looked at in terms of production volumes. May production rose by 6.5% year-on-year to 36,000t and June production was up by 9.5% at 23,600t. However, a sharp decline in throughput in April meant that total slaughter during Q2 2017 still fell by more than 6.5% to 5.007m head, with production declining by 4.5% to 93,050t. The average carcass weight rose by 0.4kg (2%) on a year earlier to 18.8kg during Q2 2017. Compared with Q1 2017, slaughterings were nearly 36% lower in Q2, compared with a 31% seasonal decline in 2016 and 32% in 2015. However, the seasonal uplift in carcass weights between Q1 and Q2 was much stronger this year, amounting to more than 3.5%, up from 2.5% in 2016 and 2% in 2015. Carcass weights have been underpinned by favourable grazing conditions this year.

During Q2 2017, NZ abattoirs slaughtered 19.5% fewer mature sheep than a year earlier, with numbers totalling 421,700 head. While this could be interpreted as an indication that strong farmgate prices have encouraged producers to hold onto breeding stock and expand their flocks, it should be noted that slaughter numbers did increase marginally during H1 2017 due to a significant increase in Q1, the peak period for ewe slaughter. Then again, this followed a decline in Q4 2016, meaning that throughput fell by 6.5% during the first nine months of the October 2016 to September 2017 season.

In an August update, Meat and Livestock Australia are forecasting that the country's lamb slaughterings will decline by more than 6% this year to a five-year low of 21.5m head. However, carcass weights have been running significantly higher this year (reportedly down to producers supplementing diets due to dry weather) so the overall decline in production volumes is forecast at less than 3.5%, with volumes estimated at a three-year low of 495,000t. Exports have also been forecast 3% lower this year, slipping to 235,000t; though a change in the balance of cuts exported is expected to lead to a 5.5% reduction in exports when converted into a carcass weight equivalent figure. Looking ahead to 2018, MLA have forecast lamb slaughterings to recover slightly, growing by around 2.5% to 22m head. However, it is anticipated that carcass weights will dip back again, leaving overall lamb production volumes unchanged. Exports are forecast to fall by 2%.

Pigs

Prices and Supplies



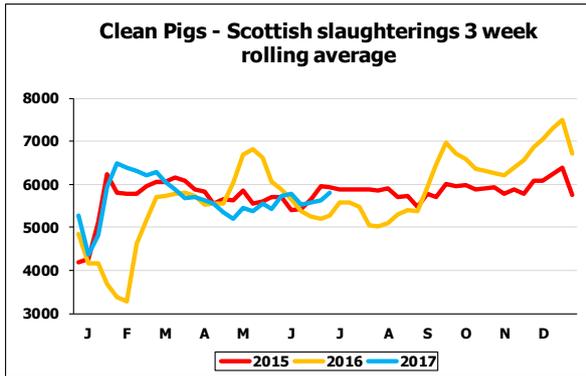
Farmgate prices for prime pigs continued to advance in July, with the GB SPP ending the month at 165p/kg dwt. This was around 2.5p (1.5%) higher than at the end of June, and was a slightly faster pace of increase than had been seen during June. However, as prices had been firming at a faster rate last summer, the year-on-year premium closed July at 25.5%, down from 31% at the end of June and from a peak of 37.5% in late April/early May. Numbers handled by reporting abattoirs have been broadly stable since Easter, averaging 4% lower than during Q1.

Carcass weights also traditionally fall to their low in the summer months, tending to bottom out in August. Until the end of June, 2017 had been no exception, meaning that the average carcass price stabilised while the average price per kilo continued to pick up. However, carcass weights rose through July, returning the upwards trend to the average carcass price. In the final week of July, the average SPP carcass traded at £136.69, up by 2.5% on both the end of May and end of June. With the average carcass weighing more than a kilo heavier than last year during July, the average carcass price exceeded its year earlier level by 27.5% at the end of the month compared with the 25.5% annual increase in per kilo prices.

Weaner prices initially followed the finished pig price higher from March. However, while finished prices have continued to increase, the

store market has stabilised since mid-to-late June. In the three-weeks to July 29, the average 30kg store pig sold for £60 while the average 7kg weaner was priced at £44. Both of these were unchanged from the first three weeks of June. Nevertheless, they exceeded 2016 levels by 39%. With weaner prices steady while finished prices have continued to advance, weaner values have fallen as a proportion of the SPP carcass price since June. The 7kg weaner slipped back by half a percentage point to around 32.5% of the finished value at the end of July, and the 30kg weaner dropped by a percentage point to 44% of it.

Prime pig slaughterings picked up relative to 2016 in June at Scottish abattoirs after three months trailing year earlier levels. Throughput increased by 6.5% to 22,500 head. The



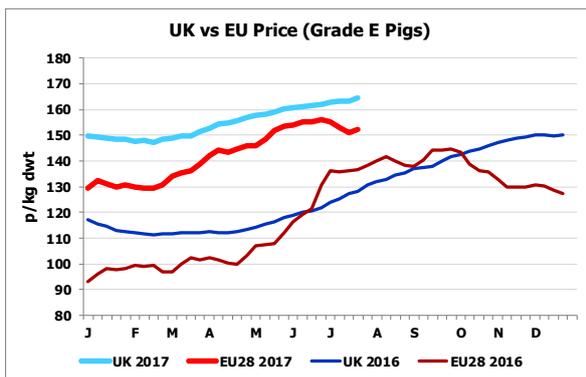
weekly average kill rose by nearly 1% on the month to more than 5,600 head. The average number of sows processed each week fell back from late May, slipping below 400 head.

E&W abattoirs killed 694,600 prime pigs during June. This meant that, after applying an adjustment for working days, throughput contracted by 3% from last year; the ninth fall in ten months. The sow kill also remained well behind 2016 levels, down 13.5%, suggesting

that herd expansion may be underway. DAERA figures show that, at 121,350 head, NI slaughter plants processed 2.5% more prime pigs than in June 2016. Within this total, home produced pigs rose by 1% while imports increased by 6%, raising the share of imported pigs from 24.5% in June 2016 to almost 27% in June 2017.

According to Defra, the seasonal decline in prime pig carcass weights continued at UK abattoirs in June. The average weight fell for a fourth month, down half a kilo at 81.9kg, and was around 2.5% below its January and February peak. Although carcass weights continued to average above 2016 levels, the differential narrowed to 0.2%.

Kantar Worldpanel estimates that, across GB, households spent 2.5% more money on pork than a year earlier in the 12 weeks to mid-July. However, with pork becoming dearer by around 6% from last year, trading at an average of £4.73/kg, the volume retailed contracted by more than 4.5%. The 12 weeks to July 16 were similar for processed pigmeat products like bacon and sausages. The amount of money spent on them rose by 0.5% and 1.5% on a year ago respectively, but higher average prices pushed sales volumes lower, down 0.5% and 1%. The average price of bacon rose by around 1.5% year-on-year to £5.60/kg while sausages increased by 2.5% to average £4.53/kg. By contrast, sliced cooked meats were marginally cheaper than twelve months before, at £9.13/kg, and sales volumes rose by almost 1.5%.

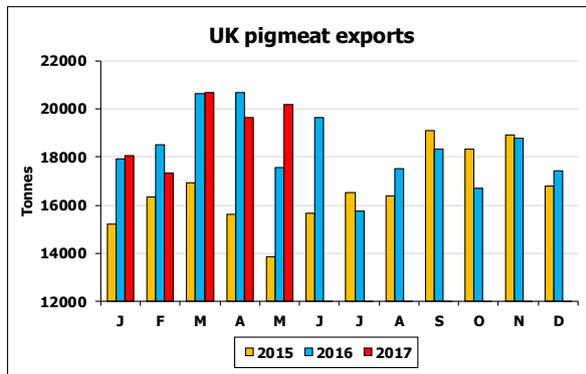


The EU average price for grade E pigs trended higher throughout the first half of 2017, but then slipped back by 4% in July, ending the month at €1.70/kg dwt (153p/kg). With UK prices stabilising in euro terms during July, the UK premium over the EU average price doubled to 8% and was last this high back in mid-May. A year ago, the UK average had trailed the EU average by more than 6%; though this was unusual.

Most of the principal pigmeat producing nations in the EU saw significant farmgate price declines of 5-8% during July. This included Belgium, Denmark, Germany, Holland and Poland. By contrast, the UK and French averages were stable in euro terms while Spanish prices rose by 3.5%. Industry sources suggest that while demand has weakened in northern Europe, it has been supported in southern Europe by the annual influx of tourists.

As July drew to a close, the EU average for grade E pigs remained above year earlier levels. However, the year-on-year premium did slip to 4.5% from 12.5% at the end of June and over 30% in April. In a number of major pigmeat producing nations the annual premium fell to

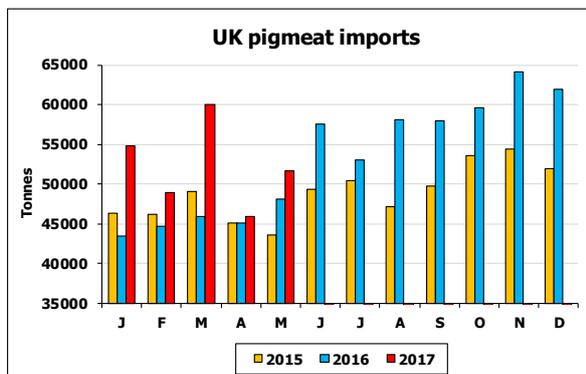
below the EU average, including Belgium (1.5%), Germany (2.5%), France (2.5%), Holland (3%), Denmark (3.5%) and Poland (3.5%). However, continued growth in the Spanish price pushed it 8% above year earlier levels while the UK average ended July one-fifth above 2016 levels in euro terms.



There was a 15% year-on-year increase in UK pigmeat exports during May with volumes reaching 20,200t. This equalled more than 26.5% of monthly abattoir production, up from less than 24% in May 2016. Exports of fresh and frozen pork grew by 14% to 18,800t while shipments of bacon & ham rose by 29% to 1,400t.

China/HK has been the UK's largest pork export market in 2017 and May volumes were up 8% on the year at 4,550t. At this level, they accounted for 24% of pork exports. The main EU markets also performed well in May with Denmark, Germany and Ireland all up 14-15% at 2,600-2,750t, while sales to Holland rose by 5%.

China/HK has been the UK's largest pork export market in 2017 and May volumes were



UK pigmeat imports rose by 7.5% year-on-year in May and climbed to a three-year high for the month of 51,750t. Pork imports grew by 12.5% to 36,700t, but deliveries of cured product were subdued, down 2.5% at 15,050t and a 29% share of pigmeat imports. This was three percentage points lower than in May 2016.

One-third of the UK's pork imports arrived from Denmark in May. At 12,200t, volumes from Denmark were 4% lower than in the same month of 2016; though still nearly double May 2015 levels. Holland and Germany delivered significantly more pork to the UK than a year earlier with volumes rising by a respective 13% and 19% to totals of 4,800t and 7,050t. Imports from Belgium, France, Ireland and Spain all rose by 5-8%.

One-third of the UK's pork imports arrived from Denmark in May.

Holland supplied almost half of the UK's bacon & ham imports in May, with volumes totalling 7,400t. This was a year-on-year expansion of nearly one-third. By contrast, imports from Denmark contracted by nearly a third and there was a 12% fall from German suppliers.

Feed Market

Following some volatility in late June/early July, the feed wheat and barley markets have settled down again in recent weeks. Prices in North East Scotland have returned close to their 2017 average of around £140/t and £120/t, respectively. This left them around a quarter above 2016 levels. At the global level, concerns remain over the wheat crop in the US and Canada after a period of hot, dry weather, and western Australia has also been hampered by drought conditions. However, the French crop is reportedly in much improved condition relative to 2016 and Russian prospects are also looking favourable. For barley, reports from early harvesting in the UK have been optimistic.

Imported Brazilian soyameal saw a lift in price in early July, pushing it back over £300/t in the first half of July. However, prices have since drifted lower again, with spot prices slipping to £293/t as August began. Compared to the beginning of August 2016, this was a decrease of 12%. While drought conditions have resulted in downgraded expectations for US and Canadian soyabean output, South American crop prospects remain strong and a weakening of the US dollar has placed downwards pressure on the sterling price of imports.

News Round up

June 2017 census data for Italy and Germany is now available from Eurostat. Taking Italy first, sow numbers showed a partial recovery, rising by 1.5% to 579,500 head in 2017 following a 2% loss last year. There was also growth in its population of fattening pigs weighing at least 50kg, up more than 2% at 5.205m head. However, numbers in the less than 20kg weight range contracted by 5% year-on-year, suggesting lower productivity this spring. In contrast to Italy, German sow numbers contracted for the third straight year, sliding by another 1% to 1.894m head. However, the population of fattening pigs increased by 0.5% to 11.832m head, indicating stronger productivity and/or fewer live exports. Then again, numbers of pigs weighing less than 20kg fell by 2.5%, suggesting a challenging spring.

According to China's Ministry of Agriculture, wholesale pork prices fell steadily from Chinese New Year at the beginning of February until mid-June. After a brief period of stability, they dipped slightly further in early July before stabilising again to end the month at 19.76 yuan/kg (£2.23/kg). This was down by 0.5% on the month and by 21% from the early February peak. Since prices fell through June and July last year, the year-on-year discount has narrowed from 26% in mid-June to less than 22% at the end of July. Wholesale prices for beef and sheepmeat have also stabilised in recent weeks, leaving pork at 37% of the cost of beef and 43% of the cost of sheepmeat. Meanwhile, rising chicken prices since mid-June have narrowed pork's premium over chicken by five percentage points to 49.5%.

Canadian slaughter statistics show a 2% increase in pig slaughterings in the first seven months of 2017, with throughput growing to 12.395m head. Although monthly figures for July show that slaughterings continued to increase, the rate of growth was slower at 1%. Whereas the kill rose by a significant 3.5% to 961,500 head in the eastern states, it contracted by nearly 3% in the west of the country, sliding to 668,200 head and placing downwards pressure on the national increase. In the west, although slaughterings increased by 4.5% year-on-year in the first seven months of 2017 in Saskatchewan-Manitoba (which accounted for two-thirds of western Canada throughput), they fell 3% in the month of July. Meanwhile, British Columbia-Alberta reported declines of 2.5% for July and 2% for the year-to-date.

Growth in US pigmeat exports seen during the first five months of 2017 continued into June with monthly volumes up 3% at 152,100t. However, this was a slower pace of expansion than in the first half of the year (H1) during which exports rose by 11% to 966,200t. June saw significant variation in export performance with the US' key trading partners. Whereas the largest market, Mexico, grew strongly in June, up 18% at 51,800t, Japan, Canada and China all showed declines. Japan by 8% to 29,500t; Canada by 12% to 13,600t; and China by 40% to 12,600t. However, like Mexico, exports to Korea rose strongly, up 28.5% at 12,200t. Nevertheless, all five of the main markets performed less well during June than in H1 as a whole, with Japan showing a small increase over the longer period. Amongst the smaller markets to show strong expansion in June were the Dominican Republic, Chile and Colombia, but Australia and Hong Kong fell back.

Iain Macdonald – August 2017

QMS