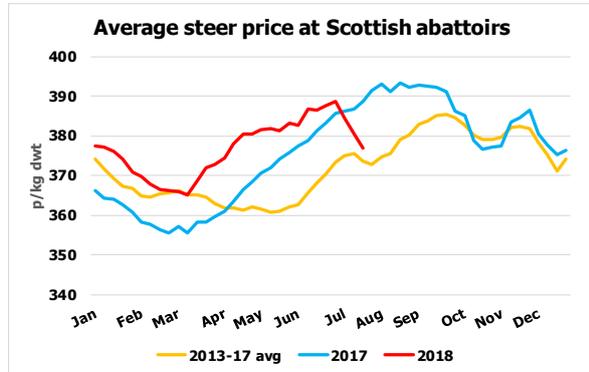


MARKET REPORT - July 2018

Cattle

Domestic Market

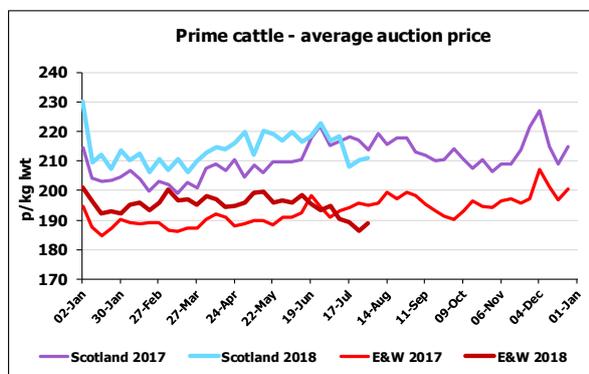


The average steer price at reporting Scottish abattoirs steadied at around 381p/kg dwt in May before climbing through June to reach a nine-month high of 389p/kg in the first week of July. Since then, the market has come under significant downwards pressure, with the average steer price falling by 12p/kg (3%) in three weeks to end July at 377p/kg. As the market had firmed through July last year, prices have fallen behind year earlier levels for the first time since August 2016, closing July

at a 3% discount to 2017. Meanwhile, the premium over the five-year average dropped back below 1%, having averaged 5% during the second quarter of 2018. The average price paid for an R4L grade steer fell by 11p between the first and last week of July, ending the month 2.2% below year earlier levels at 384p/kg.

It seems likely that part of the reason behind the fall in market prices over the past month has been a lift in supply relative to last year. Indeed, during the four weeks to July 28, although price reporting Scottish abattoirs handled 0.6% fewer prime cattle than in the prior four-week period, volumes rose 5.3% above the same period of 2017.

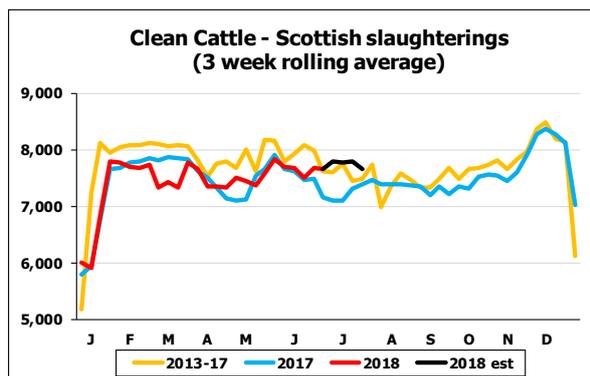
The premium for an R4L steer in Scotland over England & Wales (E&W) fluctuated at around 9-11p (2-3%) during April, May and early June, before lifting seasonally towards 12-14p (3-4%) in the final three weeks of June. Moving into July, the differential widened further, averaging 16p/kg (4%), up marginally on the same period of 2017. In the four weeks to early June, R4L steers at Scottish abattoirs averaged 5.6p/kg more than -U4L steers, whereas -U4L heifers showed a 3.5p premium over R4L heifers. This suggests that -U grade steers continue to face pricing penalties due to heavy carcass weights. Since the steer differential has widened from around 2-3p during the second quarter of 2018 (Q2), it suggests that these penalties have increased in recent weeks.



Prime cattle prices lacked direction through May, June and into July at Scottish auctions, with the three-week rolling average price fluctuating within a narrow range of 217-219p/kg. However, prices then dropped in mid-July, trading at around the 210p/kg mark for the remainder of the month. This left prices trading at an annual shortfall of 3% in late July. Auction volumes edged higher in the four weeks to August 1 when compared to the prior four-week period, but were little different to the same period last year.

Slaughter statistics for June 2018 are based on a four-week statistical month for Scotland and Northern Ireland (NI), running from June 3 – July 1. For E&W, slaughterings are based on the calendar month and have been adjusted for working days.

Prime cattle slaughterings returned to year-on-year growth at Scottish abattoirs in June, rising by 5.5% to 30,800 head. The average weekly kill rose by 1.4% on the month to 7,700 head, compared to a 4.2% decline between May and June last year. According to DAERA figures, the prime kill was down by almost 5% year-on-year for a second consecutive month in NI, dropping to 22,900 head in June. By contrast, after applying a working-day adjustment, the E&W prime rose 2.2%.



Heifers continued to underpin the prime cattle kill at Scottish abattoirs in June, with numbers rising at a year-on-year rate of 7.6%. June also saw increases for steers, of 2.9%, and 10.3% for young bulls. As a result, the heifer share rose by 0.7 percentage points on the year to 34.7% of the prime kill, while young bulls added 0.5 points to reach 13.2%. However, steers lost 1.3 points to account for a 52.1% share. Compared to May, both steers and heifers were a smaller proportion of the total, sliding by 1 and 2.7 percentage points respectively, whereas the young bull share climbed seasonally, up 3.7 points.

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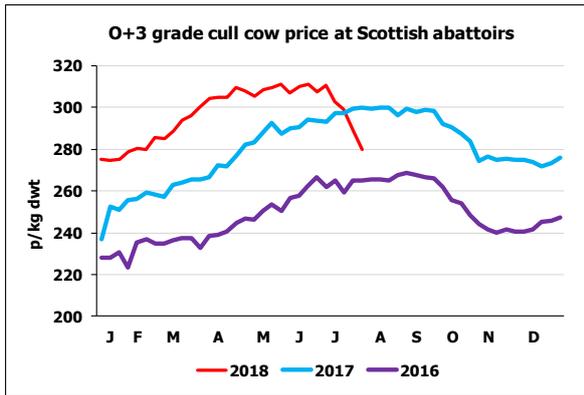
Average carcass weights at Scottish abattoirs (kg)				
	Steers	Heifers	Young bulls	Prime Cattle
June 2018	389.1	343.4	377.1	372.0
May 2018	384.3	344.3	373.0	368.6
June 2017	383.1	346.0	373.4	369.6

The average prime cattle carcass weight at Scottish abattoirs rose by 3.5kg (0.9%) between May and June to 372kg. This was 2.5kg (0.7%) heavier than the June 2018. Monthly increases for males were partially offset by a slight fall in heifer carcass weights. It was a similar case for the year-on-year change, with steers and young bulls up a respective 1.6% and 1%, whereas heifer weights declined by 1%. Market signals had been placing downwards pressure steer carcass weights for a prolonged period, so their renewed increase is a development to monitor.

June's increased average prime cattle carcass weight added to the increase in throughput at Scottish abattoirs, pushing up prime beef production by 6.2% on a year earlier.

During June, the average price paid for a prime steer carcass by Scottish abattoirs was £1,501 and this was up 3.1% year-on-year. This reflected a 1.5% rise in per kilo prices and a 1.6% increase in the average steer carcass weight.

After a strong first half of the year, cull cow prices fell sharply at Scottish abattoirs during July, with a seasonal lift in volumes pressuring prices. Given that the same seasonal lift in volumes had not resulted in a price fall in July 2016 or 2017, it points to a softening in demand for manufacturing grade beef. In the final week of July, the O+3 grade price had fallen by 30p/kg (10%) from late June to trade at a six-month low of 280p/kg dwt. Having been



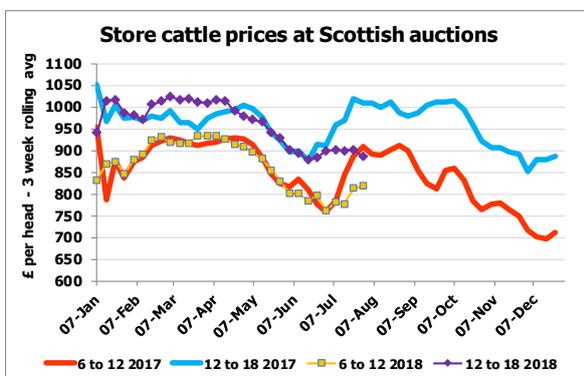
running ahead of 2017 levels until the second week of July, the O+3 grade price ended the month at an annual discount of 6.7%. Numbers handled by price reporting abattoirs in the four weeks to July 28 were around 16% higher than in the previous four weeks, which was a smaller increase than had been seen between the two periods last year. Compared to a year earlier, volumes rose 18.9%; though it should be noted that some of this annual increase could be down to a higher share of the total cow kill being processed by price reporting abattoirs.

Having steadied at around the 142p/kg lwt mark between mid-May and mid-June, the average cull cow price at Scottish auctions fell back significantly over the next month and a half, and closed July at 118p/kg. After dipping back through June, cull cow marketings rose again in July, before ending the month at their lowest level for five weeks. In the three weeks to August 1, weekly marketings averaged 733 head, which was well above the 536 head level they had opened the month at, and up slightly on last year. In the final week of July, beef cows, which accounted for 71.5% of marketings, averaged 125.5p/kg while dairy cows sold for 93.6p/kg.

After falling year-on-year in May, the mature cattle kill at Scottish abattoirs rebounded in June to be up 12.5% on 2017, with numbers reaching 4,900 head. At an average of 1,230 per week, this was an 8.7% lift from the previous four weeks, compared to a 7.6% decline between May and June 2017. Volumes were notably high in the final week of the month. Defra figures also showed a significant year-on-year increase in June, up 6.8% after correcting for working days. By contrast, DAERA data for NI abattoirs showed a 12.7% decline on last year.

At 353.1kg, cull cow carcasse weights at Scottish abattoirs exceeded year earlier levels for a fourth month. Instead of falling between May and June like it did last year, the average cow carcasse weight rose by 6.8kg, pushing it 10.8kg (3.2%) higher than last year.

Store Cattle Market



Thin volumes at store cattle sales across Scotland have resulted in significant price volatility during June and July. Prices for 6-12-month steers appear to have risen from their seasonal low, with the three-week rolling average climbing to a nine-week high of £818 in the final week of July. However, the price paid for older 12-18-month steers has yet to pick up from its seasonal low point, with the three-week rolling average slipping to a five-week low of £886 in late July, down from

around £900 over the previous month. In both age categories, prices have fallen significantly behind year earlier levels since late June. Indeed, the three-week rolling average for weaners ended July down 10%, while the yearling group showed a 12% discount. The second week of July had seen a surge in marketings, but they then fell back again in the second half of the

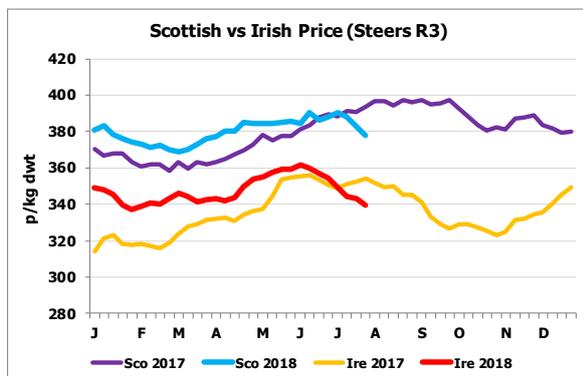
month. During the four weeks of July, combined volumes from the two age groups more than doubled on the month but trailed 2017 levels by 5.5%. Younger steer numbers tightened significantly, but slightly more older steers were traded.

Retail Sales (Source: Kantar Worldpanel)

73% of GB households bought fresh and frozen beef during the 12-week period ending on May 20. Total spending on beef rose by nearly 1% on a year earlier and, with the average price effectively unchanged on the year at £7.77/kg, sales volumes rose by 0.7%. This growth was achieved through an increase in households buying beef, as those who bought beef did so less frequently on average than a year earlier, spent less money on it, and bought a reduced volume. A breakdown by category shows that sales of stewing beef and steaks underpinned overall sales volumes, rising by 2% and 3.3% from a year earlier, respectively. Meanwhile, sales of mince matched the overall increase, but there was a 4.1% decline for roasts. Average prices charged for stewing beef, roasts and mince were higher than last year, but steaks became cheaper by 2.5%.

Most categories of processed beef products had a challenging period between late March and late May. Burgers were the one exception, with sales volumes climbing by 12% on a year earlier, largely down to a surge in sales in the early May as the warm summer barbecue weather began. Meanwhile, fresh chilled beef-based ready meals saw a slight lift. By contrast, frozen ready meals showed a decline of 3.5%; there was a 4.5% fall for beef pasties; sales of frozen steak pies were 8% lower; and fresh steak pies showed a slump of nearly 9.5%.

EU/International Market Prices



Irish prime cattle prices trended higher between February and early June, with the average R3 grade steer climbing 29c/kg (26p/kg), or 7.7%, over a four-month period to reach €4.12/kg (361p/kg) in the week ending June 10. However, the market has since cooled significantly, and the R3 grade steer averaged €3.82/kg (340p/kg) in late July. This was down 3.5% year-on-year.

When converted into sterling, Irish prime cattle prices trended higher between late April and early June, before slipping back significantly. With sterling weakening slightly since early June, Irish prices have fallen more slowly in sterling than in euro, sliding 6.1% from their peak. This has left them at a five-month low of 340p/kg. The premium for an R3 grade steer in Scotland over the Irish average had dropped to a 12-month low of 6% in early June. However, the stronger rate of decline in Irish prices has seen this gap double to average 12% in July. This was up marginally on July 2017's Scottish premium of 11%.

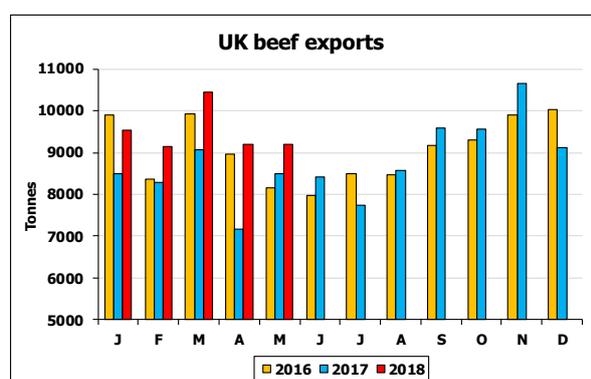
The EU average for an R3 grade young bull fell back between mid-April and mid-May, before stabilising. It then started to fall again in mid-June, dropping from €3.77/kg (331p/kg) in the week ending June 10 to trade at €3.71/kg in the second half of July. Prices closed July 0.6% lower than they had ended June and were 1.2% below last year's level.

Having stabilised at around €3.04/kg (266p/kg) between mid-March and mid-May, the average O3 grade cull cow price in the EU edged higher towards the end of May and into June, reaching

€3.07/kg (269p/kg). However, prices fell back sharply through July, ending the month 4.3% below late June levels and 1.1% below the same week last year, at €2.94/kg.

International cattle price comparison (p/kg dwt)						
	Steer/Young bull (R3)			Cow (O3)		
	w/e 28/07/18	% change Vs 30/06/18	% change y/y	w/e 28/07/18	% change Vs 30/06/18	% change y/y
Scotland	377.8	-2.6	-4.0	271.8	-10.6	-7.3
E & W North	365.4	-2.6	-1.7	262.7	-10.3	-4.6
E & W Central	361.3	-3.6	-3.3	265.1	-9.2	-5.3
E & W South	364.9	-2.8	-3.1	258.2	-11.1	-9.1
NI	357.4	-3.0	-2.9	271.2	-6.4	-4.8
RoI	339.7	-4.2	-4.0	265.2	-9.0	-7.8
Belgium	268.0	+0.7	+1.5	253.6	-0.9	+4.0
France	328.6	+2.0	-1.7	294.0	+1.8	+1.3
Germany	328.6	-1.3	-1.5	262.3	-8.5	-7.4
Netherlands	296.7	-3.7	+1.0	234.5	-7.1	-6.2
Spain	340.5	+1.1	+0.8	219.6	-4.0	+10.2
Poland	296.6	+3.0	+3.2	252.8	-0.6	+3.7
Italy	341.3	-1.2	-1.0	257.1	-2.8	+5.1
Sweden	370.5	+0.5	-11.2	332.8	-1.1	-9.1
EU28	327.2	-0.8	-1.3	260.9	-3.7	-1.6
EU prices converted at a weekly € value of:	88.8p	88.3p	89.3p	88.8p	88.3p	89.3p
USA	295.7 (steer)	+4.1	-7.5	198.4 (Cutter: 90% lean & >225kg dw)	-4.3	-18.8
Australia	273.3 (EYCI – steers & heifers)	-3.4	-21.9	223.2 (Medium cow)	+5.6	-14.8

UK Export & Import Statistics

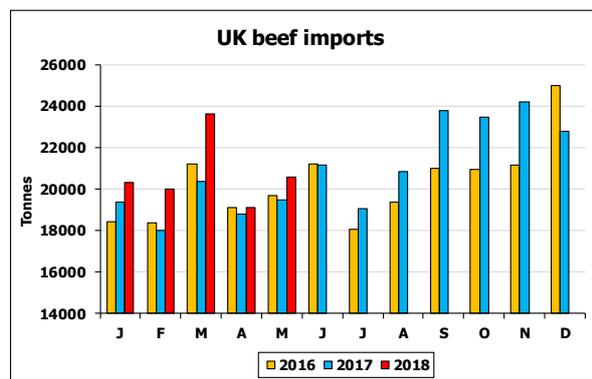


Trade data from HMRC suggests that UK beef exports continued to show year-on-year growth in May. Volumes rose by 8.3% to 9,200t – a four-year high for the month and 6.6% ahead of the average May volume between 2013 and 2017. Exports are estimated to have been equivalent to 11.8% of UK beef production in May, down 0.5 percentage points on the month and equalling the lowest proportion of the year-to-date from

January. Nevertheless, this proportion was still up 0.8 points on May 2018.

UK export growth in May was underpinned by shipments to the EU, which rose by 12% year-on-year to 7,750t. The two largest destinations saw divergent performance in May with the volume delivered to Ireland down 4.5% on last year at 3,000t, whereas sales to the Netherlands surged by 54% to reach 2,100t. Smaller markets generally showed strong growth, including Germany, Belgium and France, while trade with Italy edged higher.

UK beef exports to non-EU countries fell by 8.3% year-on-year in May to 1,400t. This decline was driven by the main market, Hong Kong (HK), which, at 690t, bought 11.6% less beef from the UK than a year earlier. Exports to HK accounted for 48% of the non-EU total, which was in turn 21% of total UK beef exports in May. The Philippines became an important destination in May, taking delivery of almost 310t.



Like beef exports, the UK's beef import volumes continued to exceed year earlier levels in May, up 5.7% at 20,600t. This was a ten-year high for the month and exceeded its five-year average by 6.3%. Within imports there has been a rebalancing of deliveries this year, with fresh beef accounting for a smaller share of the total. In May, imports of fresh beef fell by 3.6% year-on-year to 13,500t, whereas imports of frozen product showed a 30% expansion and surpassed 7,000t.

Consequently, fresh beef accounted for 65.8% of May imports, compared with 72.2% in the fifth month of 2017.

Imports of beef to the UK from EU Member States rose by 3.5% year-on-year in May to 19,200t. This was 93.4% of monthly imports, compared with over 95% in the previous two months and in the same month last year. The main supplier of beef to the UK – Ireland – delivered nearly 15,000t of beef in May. This was a 10% annual increase and meant that Ireland increased its share of UK imports to 72.7% from 69.9% a year earlier. However, this share did slip to a four-month low. Imports of fresh beef from Ireland rose by 3.5% to 10,250t, while deliveries of frozen beef were 28% higher at 4,700t. In contrast to Ireland, March imports from the Netherlands and Poland were 12% and 27% lower than last year, at a respective 1,250t and 1,350t.

Imports of beef to the UK from outside the EU rebounded to a three-month high in May. At 1,400t, shipments were 53% above year-earlier volumes. Brazil was the largest non-EU supplier in May, with 275t. Meanwhile, imports from Australia, Botswana and Uruguay were around the 220-240t level and 175t arrived from Namibia. These worked out at above average year-on-year increases, except for Australia, which was a decline of a fifth.

Global Market Round Up

Bord Bia figures for prime cattle slaughterings at Irish export abattoirs show a significant year-on-year increase for July, with numbers up 6.9% at 101,600 head. During the four-week period, the average weekly kill was 1% below that of the preceding four weeks but 2.8% above the average for the first 30 weeks of the year. Like Scotland, the Irish prime kill was underpinned by heifers in July, with numbers showing an annual increase of 13.1%. This pushed up their share of the kill by two percentage points on July 2017 to 34.9%. The number

of steers processed increased by 2.6% on last year and young bulls by 9.6% giving them respective shares of 53.3% and 11.8%, compared to 55.5% and 11.5% in July 2017.

Data for Q2 2018 shows further strong growth in China's beef imports. Following on from a 32% year-on-year increase in Q1 2018, the total imported rose by 46.6% on a year earlier to reach 244,800t in Q2. The average value per tonne in US dollars also increased further, up 6.6% on Q2 2017 at \$4,625/t (£3,570/t). Rising import demand reflects strong demand for beef in China. In an update published in April, the USDA forecast that Chinese consumption of beef would rise by 3.7% this year to 8.53m tonnes.

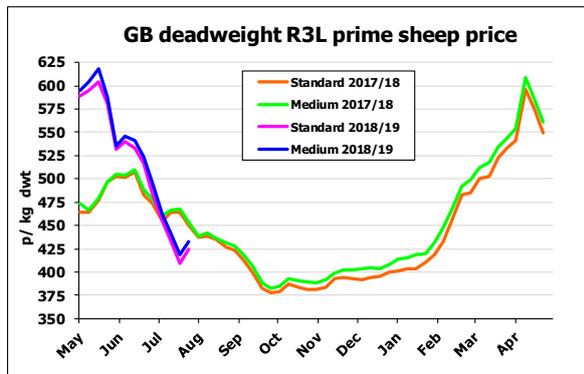
One country benefitting from strong beef demand in China has been Brazil. Brazilian export data for Q1 2018 showed a year-on-year increase in shipments to China of nearly 60% to 84,300t, while its deliveries to Hong Kong more than doubled to 93,000t. The combined total for China and HK was 45.6% of Brazil's beef exports during Q1 2018, up from 36% in Q1 2017. Brazil's total export volumes rose by 47%, but, excluding China and HK, they rose by 25%.

Slaughter statistics for Australia show a considerable increase in cattle throughput so far this year, with slaughter up 5.7% year-on-year in Q1 and then by 12.5% in Q2. These increases have been driven by females. Indeed, during Q1 the combined cow and heifer kill was 10.7% above 2017 levels, compared to a 1.8% increase for males. Then, in Q2, the female kill surged by 28% on a year earlier to reach 1.1m head, while the number of males processed declined by 1.1% to 965,300 head. This meant that the female share of slaughterings rose from 46.7% in Q2 2017 to 53.2% this year. It also resulted in a lower average carcass weight than in Q2 2017, leading to beef production rising more slowly than slaughter, up 9.6% at 596,200t. Given that rainfall levels have been very low in Australia this year, this rise in the female kill points to a drought-induced period of herd consolidation.

In Japan, total cattle slaughter rose by 1.6% year-on-year to reach 415,500 head in the first five months of 2018. With the USDA projecting a small overall decrease in 2018, this points to tighter supplies of domestically produced cattle for the remainder of the year. Beef consumption has been increasing this year in Japan and the USDA estimates that it will be nearly 3% higher than in 2017. To meet this additional demand, imports, which accounted for 64% of market supplies in 2017, are expected to rise by 2.2% to 835,000t. Data for the opening five months showed a 3.1% increase in beef imports to 327,400t. Of this total, Australia supplied 173,400t – a 53% share – while the US delivered 129,300t – a 39% share. This represented a 10.6% increase over the same period last year for Australia but a 3.7% fall for the US. In part, this was down to Japan implementing a special safeguard on imports of frozen beef from the US between August last year and the end of March, which temporarily raised the tariff from 38.5% to 50%. By contrast, Australia did not face this safeguard due to the rules of its trade deal with Japan, and this deal then saw import tariffs on beef from Australia cut at the beginning of April from 38.5% to 29.3% for fresh beef and to 26.9% for frozen product, supporting its competitiveness against US beef.

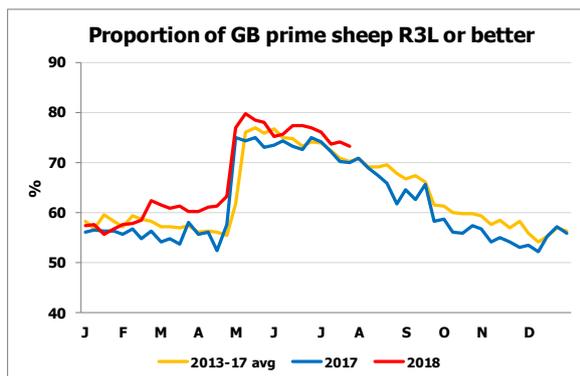
Sheep

Domestic Market

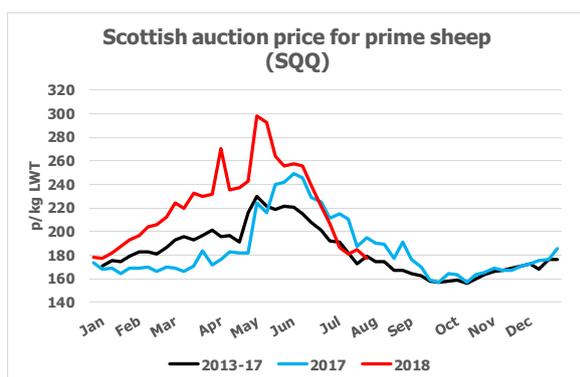


Having opened 2018/19 at record levels above the £6/kg dwt mark, the average SQQ¹ lamb price at GB reporting abattoirs has fallen sharply. By the third week of July it had dropped 33% below the peak reached in the third week of May, before it recovered slightly in the final week of July to end the month at 432p/kg. This was 13% lower than in late June and 1% below year earlier levels. Reflecting the challenging winter and early spring weather, volumes of new season lambs

handled by GB reporting abattoirs were down by 30% year-on-year in the first nine weeks of the 2018/19 season. While numbers picked up by more than a third between June and July, there was still a year-on-year shortfall of 4.5% in the four weeks to July 28. At the end of July, standard lamb carcasses averaged 415.2p/kg dwt with medium carcasses trading at a 20.1p/kg premium to this. However, there was a smaller premium of 8.3p/kg for a medium R3L carcass over a standard R3L.

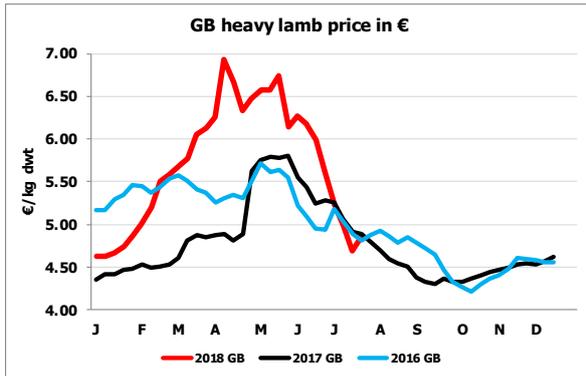


One factor underpinning prime sheep prices at GB reporting abattoirs throughout 2018 has been an improvement in carcass quality. During July, the proportion of new season lambs grading at R3L or better fell back seasonally from June but, at 74.3%, was 2.7 percentage points higher than in July 2017.



Prime lamb prices fell back sharply at Scottish auctions between mid-June and early-July, with the average price for an SQQ lamb sliding from 256p/kg lwt down to 186p/kg. Following three weeks of stability, prices cooled again at the end of July to trade at 177p/kg. This left them 9% below last year's levels, but 3% above their 2013-17 average. Prices continued to vary significantly across the weight ranges at the end of July, with lightweight 25.5-32kg lambs selling for 157p/kg; standard 32.1-39kg lambs averaging 175p/kg; medium 39.1-45.5kg lambs trading at 178p/kg; and heavy 45.6-52kg lambs at 175p/kg.

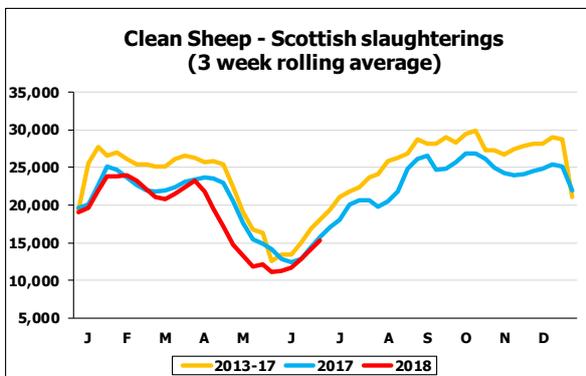
¹ SQQ (Standard Quality Quotation) are lambs weighing 12-21.5kg dwt and 25.5-45.5kg lwt. A standard carcass weighs 12-16.4kg dwt and a medium carcass from 16.5-21.5kg dwt.



With GB lamb prices running below 2017 levels and sterling now trading at a similar level against the euro as last year, GB farmgate lamb prices have also been trading less than 12 months ago in euro terms. In the final week of July, prime lambs averaged 4% cheaper than last year in euro.

GB auction market data for July indicates that lamb supplies remained tight relative to last year. New season lamb marketings trailed year earlier levels by 14.5%, at 433,300 head in the five weeks to August 1. 85.8% of the lambs sold weighed within the 25.5-45.5kg SQQ weight range, down from 92.5% in July 2017. In Scotland, prime lamb marketings fell by 25.5% from last year during July and the proportion classed as SQQ fell by 9.2 percentage points to 80%.

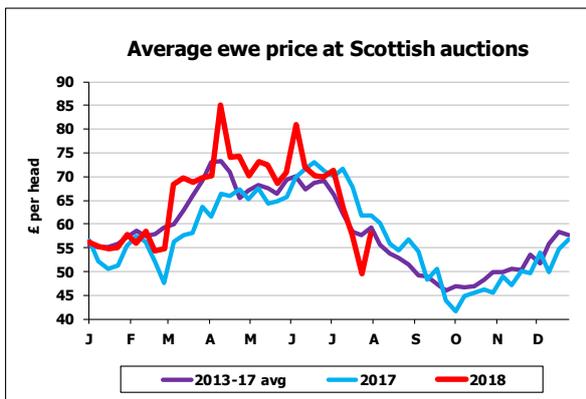
GB auction market data for July indicates that lamb supplies remained tight relative to last year. New season lamb marketings trailed



Scottish abattoirs continued to process fewer prime sheep than a year earlier in June as slaughter numbers fell by 2% to 59,050 head. However, this signalled a significant narrowing of the rate of decline. Weekly average throughput, of 14,760 head, rose by 27% from May, compared to a 10% lift between the two months last year. NI slaughter data, courtesy of DAERA, also showed a considerable decline on June 2017, with numbers down by 23%, while the working-

day-adjusted E&W kill was down 13.2%.

Adding to the tightness of supply at Scottish abattoirs in June was continued decline in carcase weights. The average prime sheep carcase fell by 0.3kg (1.6%) on the year to 19.6kg. However, it did recover from May, up 0.2kg, whereas last year it had continued to slide. Lower carcase weights than last year converted a 2% decline in throughput into a 3.6% decline in prime sheepmeat production.



Having traded at between £68 per head and £74 per head in 16 out of the 18 weeks between the beginning of March and early July, cull ewe prices have since fallen seasonally. In the three weeks to August 1, ewes sold for an average of £55 a head, 24% below their March to early July average and 14% lower than in the same period of 2017. This downwards pressure reflects a build in marketings, from an average of around 3,400 head per week in Q2 2018 to 5,300 head in the three weeks to August 1. Nevertheless,

July saw marketings fall short of last year's levels by 6.3%.

The mature sheep kill at E&W abattoirs is estimated to have declined by 2.8% year-on-year in June. By contrast, the mature sheep kill at Scottish abattoirs continued to grow strongly in

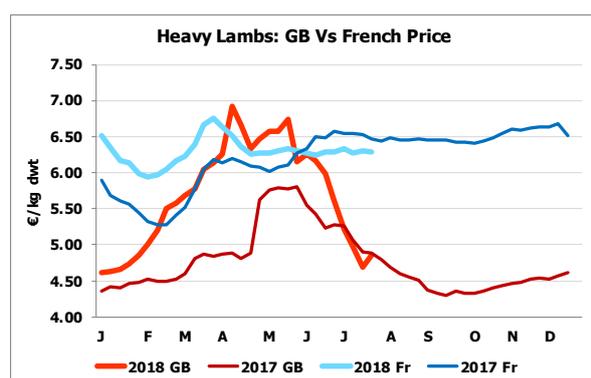
June, albeit from a very low base. Though carcass weights were lower than last year at Scottish abattoirs, they remained well above the UK average (32.1kg vs 25.6kg).

Retail Sales (Source: Kantar Worldpanel)

In the 12 weeks to May 20, 36% of GB households bought lamb. Despite an increase in the average retail price on a year earlier by 7.4% to £8.89/kg, more households bought lamb and total spending rose by 1.9%. However, since it was significantly more expensive, the average buyer purchased lamb less frequently and sales volumes declined by 5.1%. The volume of chops & steaks retailed fell by 4.3% while there was a 5% decline for leg roasts and a 6.7% decline for lamb mince. However, sales of shoulder roasts increased marginally. Lamb-based ready meals continued to show a contraction of around 15%.

EU Market Prices

At €4.79/kg (£4.26/kg dwt) in the week ending July 29, the EU average price for heavy lambs² was down 14% from the final week in June and around a quarter below its new season peak in May. As well as seasonal price falls across the British Isles, the EU average was pulled lower by softening markets in most of northern Europe. By contrast, the French price has been very stable since mid-April. Recent price falls have taken the market below year earlier levels in most countries, averaging 8% lower across the EU. When quoted in sterling, the EU average was down by 13.4% on the month and by 7.1% on the year.



The EU light lamb³ average fell back between Easter and late May, before beginning to firm again in mid-June. After stabilising for much of July, the market picked up again at the end of the month, with prices averaging 3.3% above late June levels, at €5.29/kg dwt (£4.70/kg). However, this left prices trading 2.8% behind 2017 levels.

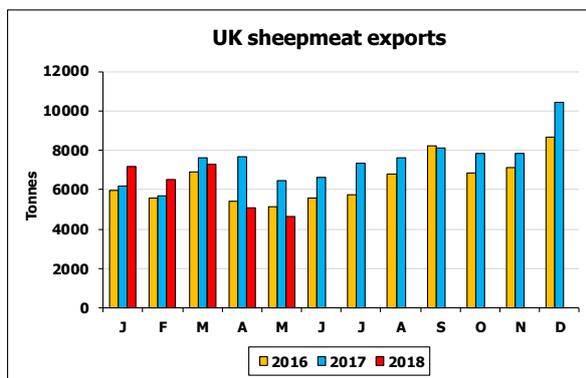
Prime sheep prices (€/kg dwt)			
	w/e 29/07/18	% change v 01/07/18	% change y/y
Heavy lambs			
Belgium	509.5	-9.5	-3.6
Germany	561.0	-4.5	-1.6
Spain	505.5	+0.6	-4.8
France	629.0	0.0	-3.8
Ireland	489.2	-6.4	+6.4
Italy	487.0	+4.3	+1.2
Romania	213.1	+1.0	+5.8
Sweden	482.1	-9.2	-11.0
GB	486.3	-13.4	-4.0
NI	429.3	-15.3	+0.4

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

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

EU	479.1	-13.9	-8.0
NZ (17kg)	462.5	+3.1	+8.8
Light lambs			
Bulgaria	573.9	-7.2	+1.9
Greece (8/7)	459.2	+2.5	+0.2
Spain	552.4	+0.9	-5.2
Italy	584.0	+12.3	-3.0
Hungary	544.0	+7.9	-5.5
Portugal	481.2	-8.2	+16.5
EU	528.7	+3.3	-2.8

UK Export & Import Statistics



Provisional UK trade figures for May reflect that tight supplies continued to restrict sheepmeat exports. Following a strong start to the year, May was the third month of declines relative to 2017, with volumes down 28.4% at 4,600t. Exports were a similar proportion below their five-year average for May and were at a 12-year low for the month. Exports also fell considerably as a share of UK sheepmeat production, down 4.7 percentage points on the month and by 6.1 points on the

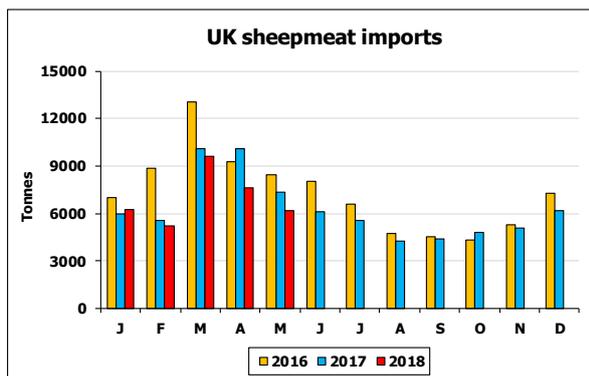
year to 22%.

Although UK sheepmeat exports to the EU continued to fall heavily relative to last year in May, down 24.1% at 4,500t, they did rise between April and May for the first time since 2013. Exports to France recovered after falling sharply in April but remained more than a third lower than last year, at 1,950t. This gave France a 42.1% share of UK exports. Though up seven percentage points on the month and above its year-to-date average by 1.5 points, it was still four points lower than in May 2017. Sales to Italy and the Netherlands also showed above average declines, while exports to the second largest market of Germany fell at a slightly below average rate of 23.5% to 850t and trade with Belgium edged lower. By contrast, exports to the Ireland rose by 11%.

UK sheepmeat exports to non-EU countries fell by 78% compared with the same month last year to only 110t in May. They were last lower than this back in April 2016. As a proportion of total exports, non-EU countries accounted for only 2.4% in May, well below the year-to-date figure of 5.6%. Shipments to Hong Kong (HK) fell by 72% year-on-year to 98t but increased their share of the non-EU total to almost 90% from just over 70% in the same month last year.

Despite low levels of home production in April and May, UK sheepmeat imports continued to fall significantly relative to last year. Following a decline by almost a quarter in April, volumes fell by 13.3% in May to 6,200t. This was an eighteen-year low for the month and left volumes trailing their five-year average for the month by 29%.

For the nineteenth time in twenty-one months, the UK brought in less sheepmeat from New Zealand (NZ) than a year earlier in May. Volumes fell by a considerable 23.9% to 4,600t.



This was 73.8% of total imports, down from 82.1% a year earlier. For a 20th consecutive month, the average import price of sheepmeat from NZ exceeded year earlier levels in May, running 7.7% higher at £5,130/t. This was 22% above the 2013-17 average import value per tonne for May. In contrast to NZ, imports from Australia picked up relative to a year earlier in May. This was their first month of growth since last September, and they rose by 79% to 730t. Sheepmeat arriving from

Australia was dearer than last year by an average of 14.8% at £4,780/t. Provisional import figures from Ireland suggest a fall for the first time this year, with volumes down by 12.9% at 410t.

Global Market Round Up

After a tightly supplied start to the 2018 lamb crop year, Irish abattoirs became better supplied in July. The number of lambs handled by export abattoirs declined by 7.9% year-on-year in May and by 5.1% in June, but edged 0.5% above 2017 levels in July, reaching 200,800 head. Numbers rose by 10.2% between June and July, compared to a 4% increase last year.

The latest slaughter statistics from France shows that the lamb kill rose by 2.5% year-on-year in May to reach 343,700 head. This was also a 1.2% increase over the May average for 2014 to 2018. With carcase weights down marginally on a year earlier, at 18.3kg, lamb production exceeded year earlier levels by 2.4% and it was 1.4% above the five-year average for May.

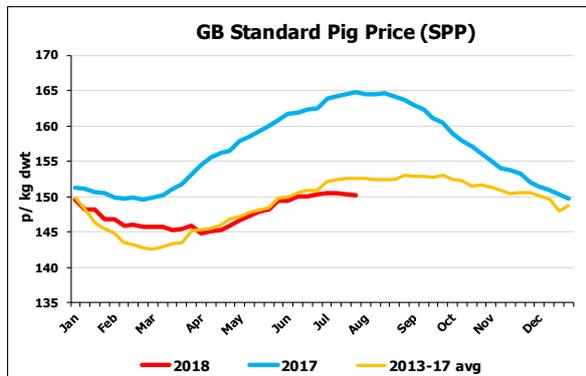
Sheepmeat import statistics for France show that the total volume brought into the country during the first third of 2018 fell by 1.4% year-on-year to 28,800t. Imports from the three major suppliers declined at above average rates, with the UK down 9.3% at 10,600t; NZ down 4.2% at 5,900t; and Ireland down 6.6% at 5,000t. Collectively, the three suppliers delivered 21,500t of sheepmeat; a 7.3% decline on the opening third of 2017. This saw their share drop to 74.7% of deliveries from 79.4% in early 2017. Shipments from other countries rose by 21% to 7,300t.

Following a sharp decline in lamb production at NZ abattoirs during Q1 2018, when slaughter had fallen by 11.3% year-on-year to 6.89m head and production by 14.3% to 120,800t, Q2 data from Statistics NZ shows a rebound. Indeed, throughput and production both exceeded year earlier levels by 13.2% at 5.67m head and 106,500t, respectively. This reflected a much smaller seasonal decline in production between Q1 and Q2 this year. Between 2013 and 2017, Q2 slaughter had averaged 35% below Q1 levels, but this seasonal reduction nearly halved to 18% in 2018. Mature sheep slaughter remained well above year earlier levels, rising 10.7% in Q2 to 467,000 head following an 8.4% annual increase in Q1 to reach 1.75m head.

Following more than three months trading around the A\$6/kg mark (340p/kg dwt), lamb prices in Australia surged by a third between late May and late July, reaching a peak of A\$7.94/kg (453p/kg) on July 24. The market then faced some downwards pressure, with prices slumping to A\$7.61 (434p/kg) by August 7, a decline of 4%. Nevertheless, this still left them trading 23.5% higher than last year. Prices have been running well above 2017 levels despite a significant lift in lamb production. During Q2, Australia processed 6.22m lambs; a year-on-year increase of 15.2%. Although the average carcase weight was 0.3kg (1.1%) lighter than in Q2 2017 at 23kg, production still rose by 13.8% to reach 143,200t.

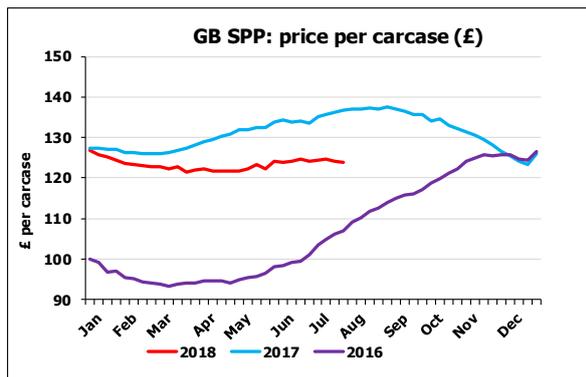
Pigs

Domestic Market

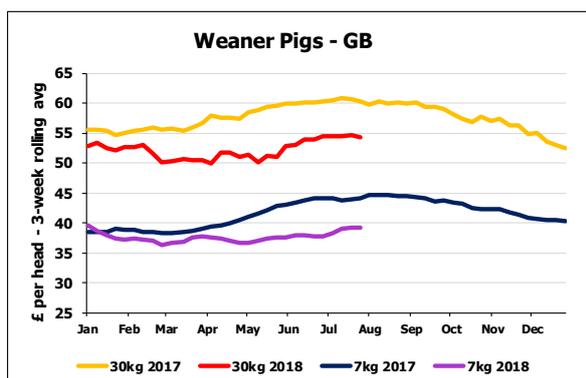


After climbing through Q2 2018, prime pig prices steadied in the first half of July before edging lower in the second half of the month. The GB Standard Pig Price (SPP) peaked at 150.35p/kg dwt in early July, before edging down to end the month at 150.3p/kg. However, given that prices climbed significantly more slowly between spring and summer than they had in 2017, July saw the market clear 8-9% lower than last year, compared to a 3-4% shortfall in March.

Numbers of prime pigs handled by reporting abattoirs have begun to pick up from their seasonal low, running 0.5% higher in July than they had in June, but remaining 3% below their weekly average for the opening quarter of the year. While numbers have started to edge up, carcase weights have continued to slide, placing downwards pressure on pigmeat production volumes.

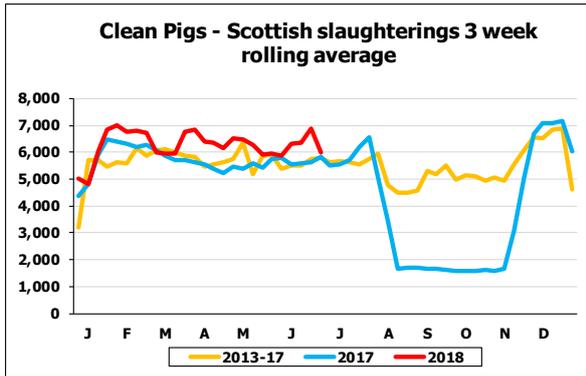


Falling carcase weights meant that the average price per carcase rose more slowly than per kilo prices between spring and summer, and then the renewed fall in weights as July progressed saw the average price per carcase slump to a seven-week low of £123.93 in the final week of the month. Carcase weights averaged 82.6kg at reporting abattoirs in the three weeks to July 28, down from 82.8kg in both June 2018 and in the same month last year.



Prices for 30kg weaners have shown considerable volatility in 2018, and in 8 of the first 25 weeks of the year, no price was quoted. Both of these factors point to a small sample size. The first signs of a lift in the trade presented themselves in June, with prices averaging £54-55 per head compared to an average of £51.50 during the first five months of 2018. Prices then steadied in July and the three-week rolling average closed the month at £54.30 per head. Prices paid for 7kg

weaners have also risen seasonally of late and the three-week rolling average stood at £39.27 in the final week of July. This was around £1.80 (5%) above the average for the first half of the year. As a proportion of the SPP finished carcase price, 7kg weaners traded at 31.6% in the three weeks to late July, while 30kg weaners were at 43.7% of it. These were above their 2018-to-date averages by 1.1 and 1.3 percentage points, respectively, but remained lower than last year by 1.1 and 0.5 points.



Prime pig throughput at Scottish abattoirs exceeded 2017 levels for the sixth time in seven months during June. At 24,800 head, throughput was 10.2% above 2017 levels. Average weekly throughput rose by 3.5% from May, compared to a 0.5% lift between May and June 2017. Slaughter increased both on the month and on the year despite the final week of the month seeing significant disruption to processing capacity.

Working-day-adjusted throughput for E&W abattoirs posted an eleventh month of year-on-year growth in June, rising 1.5%. Slaughterings rose by 2.2% in NI, as a 0.6% decrease in home produced pigs was more than offset by a 9.9% increase in imports. Imports accounted for 28.8% of slaughterings, up two percentage points on the same month last year.

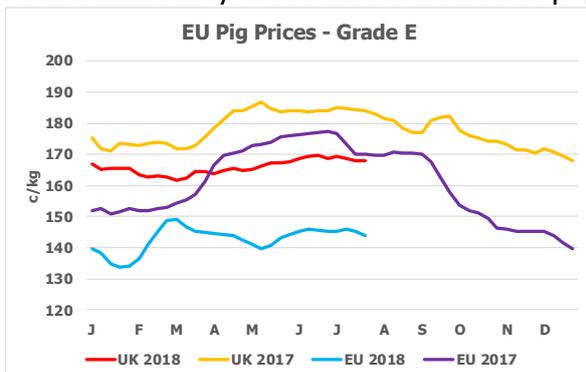
For only the third time this century, the UK average carcase weight for prime pigs rose between May and June, up 0.2kg to 82.6kg. This left it up 1% on a year earlier at a record high for June. However, it was 3.2% below January levels, compared to an average seasonal downturn of 2.5% over a five-year period.

Scottish abattoirs now have capacity to handle the majority of Scottish-born sows being sent for slaughter. During June, nearly 700 sows were processed, at an average of 170 head per week. However, this was down on last year, partly because of disruption to processing capacity in the final week of the month. In E&W, working-day adjusted sow throughput rose by over a fifth on last year.

Retail Sales (Source: Kantar Worldpanel)

During the twelve weeks to May 20, half of GB households bought pork. Total spending on pork increased by 1.1% on the same period of 2017. However, continued retail price inflation, of 5.1% to £4.73/kg, meant that sales volumes declined, sliding by 3.7% year-on-year. More people bought pork and bought it more often than in the same period of 2017, but each time they shopped, they spent less and bought a smaller volume. A breakdown into product groupings showed that while the volume of chops & steaks and shoulder roasts retailed were little different to last year, there were declines of 3% for leg roasts and 30% for loin roasts.

Most categories of processed pork products did show volume growth however, with sliced cooked deli meats the one exception, sliding by around 1%. Sales of bacon and sausage rolls rose slightly, while there were stronger lifts of 4.5% for pork sausages and 8% for pork pies. Pork-based ready meals also increased in popularity, with sales up nearly 3%.



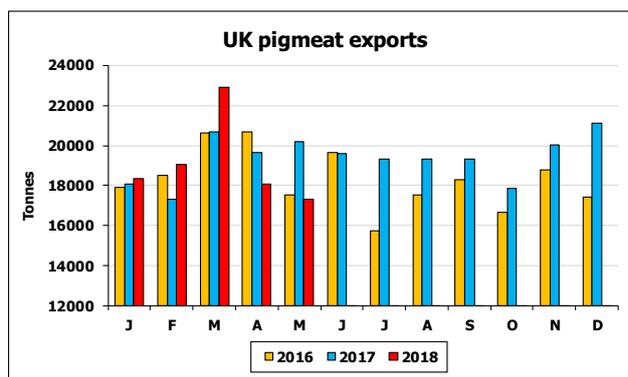
EU Market Prices

Throughout June and July, the average grade E pig price across the EU stabilised, trading at €1.44-1.46/kg dwt (128-30p/kg dwt). In the final week of July, prices traded at the lower end of this range, placing them 0.9% lower than in late June. Due to a much less significant seasonal lift between spring and summer this year, prices have remained well

below 2017 levels, averaging 15.5% lower at the end of July. However, a weekly price forecast for the key German market suggests that prices edged higher as August commenced. In sterling, the EU average was down 0.3% on the month and by 14.8% on the year. The UK average for grade E pigs closed July down slightly on the month, but fell more slowly relative to last year than the EU average, down 8.6%. Its premium over the EU average ended July at a ten-week high of 16.9% and was more than double its level from the same week last year.

EU Grade E Pig Prices in euro terms			
	w/e 29/07/18	% change w/4w	% change y/y
Belgium	118.9	-0.9	-20.7
Denmark	127.1	+1.5	-18.1
Germany	144.7	-2.6	-16.8
Spain	150.9	+1.5	-14.3
France	132.0	0.0	-17.5
Netherlands	126.4	-3.3	-17.1
Poland	141.2	-0.5	-15.9
UK	168.0	-0.4	-8.6
EU	143.8	-0.9	-15.5

UK Export & Import Statistics

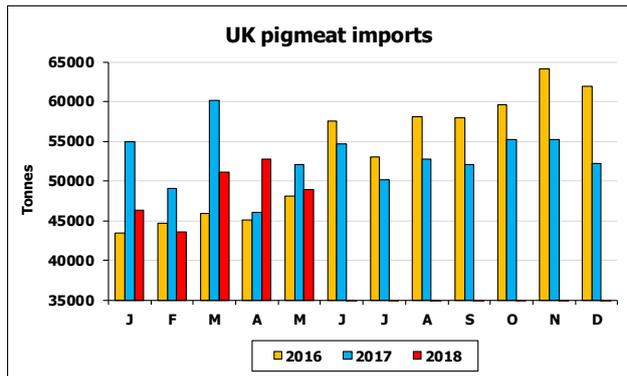


UK pigmeat exports fell back relative to last year for a second month in May, down 14.1% at 17,300t. Although a three-year low for the month, exports still exceeded their May 2013-17 average by 5.6%. Pork shipments decreased by 16.3% to 15,700t in May, but this was partially offset by a 15.5% rise in exports of bacon & ham, which reached 1,600t. Exports are estimated to have accounted for 22.5% of UK pigmeat production in May, down by

1.1 percentage points on the month to be 4.2 points lower than in the same month last year.

Exports to the UK's largest overseas market - China/HK – trailed year earlier levels for the fourth time in five months in May, down 27.5% at 3,300t. This was 21% of total exports compared with 24.2% a year earlier. Exports to the main EU markets were generally lower, with Germany and Ireland both down by around 5% and Denmark by nearly half. The Netherlands was an exception, showing an increase of 5%.

Imports of pigmeat to the UK declined year-on-year for the eleventh time in twelve months in May. At 48,900t, imports were 6% lower than last year and a fraction below their 2013-17 average for May. Pork imports fell by 8.3% to 33,800t while the volume of bacon & ham arriving in the UK was 1.7% below May 2017 levels at 15,100t. This meant that pork accounted for 69.2% of pigmeat imports, down from just over 70% in May 2017, but up from a year-to-date average of 67.5%.



Denmark supplied more than 35% of the UK's pork imports during May with volumes totalling 11,750t. However, this was down 3.8% on the same month last year and a three-year low for the month. Imports from the second and third largest suppliers – Germany and the Netherlands – fell more significantly, down 13% and 22% respectively, to 6,150t and 3,700t. Imports from France and Poland also fell back but there were increases from Belgium, Ireland

and Spain.

The Netherlands supplied 48.8% of UK cured pigmeat imports during May. However, at 7,350t, volumes fell 1.4% short of May 2017 levels. Meanwhile, imports from Germany contracted by 31% to 1,900t. By contrast, there was a 12.4% increase in imports from Denmark, to 4,000t.

Feed Market

Having shown some signs of stability in June after trending higher through the spring, feed prices picked up again in July. As August began, feed wheat traded at £185/t while feed barley was valued at £157/t. These were up by more than 10% from the start of July and nearly a third higher than a year earlier. Expectations of a significantly smaller global grain crop due to drought in northern Europe, the Black Sea region, the US, and Australia have boosted global grain prices in recent weeks. Meanwhile, closer to home, pressure has also come from the demand side with rising poultry production boosting feed requirements.

Soyameal prices have steadied at around the £340/t mark in recent weeks as Chinese tariffs on its major supplier of soyabeans, the US, have led to significant uncertainty in the global soyabean market. While some price-sensitive Chinese buyers may switch supply to Brazil, others could decide to import smaller volumes, lowering overall demand. Nevertheless, soyameal still traded around 15% dearer than in July 2017.

Global Market Round Up

Eurostat data for the March to May period of 2018 shows a 3.5% year-on-year expansion of pig slaughter across the EU to reach 65.66m head. This produced 6.1m tonnes of pigmeat, up 4.5% on the same period of 2017 as the average carcasse weight rose by 0.8kg (0.9%) to 92.9kg. Whereas slaughterings fell in the largest pig producing nation – Germany – by 1.8% to 14.25m head, they rose by 6.7% in Spain to 13.26m. This saw the German share of the EU total fall by 1.2 percentage points to 21.7% while the Spanish share rose by 0.6 points to reach 20.2%. Of the other main pigmeat producing nations, throughput rose strongly in Denmark, the Netherlands and Poland; matched the EU increase in Belgium; and went up more slowly in France and the UK. Like Germany, Italy reported a decline. In non-EU Europe, slaughter rose by 3.9% in Serbia to 530,700 head, but it fell by 2.3% to 630,000 head in Switzerland.

In Q2 2018, Denmark's sow herd is estimated to have expanded by 3.2% year-on-year to 1.046m head. This was an eight-year high for the quarter. Numbers also rose in the young pig categories, with piglets up 5.6%, weaners under 50kg lwt up 2%, and slaughter pigs over 50kg lwt up 7.7%.

The globally important Chinese pigmeat market has shown some signs of an upturn in recent weeks. According to price reports from China's Ministry of Agriculture, a prolonged downturn in wholesale prices came to an end in May. Since then the wholesale cost of pork has risen by around 12%, lifting from a weekly average of 15.9 yuan/kg (£1.79/kg) in May to end July at 17.83 yuan/kg (£2/kg). Nevertheless, pork remains cheap compared to last year, down 10%, and ended July 34% below its June 2016 peak. With beef and lamb wholesale prices continuing to stabilise, pork has given back some of its price competitiveness gains of the last year, rising from 29-30% of the beef and lamb price in the second quarter of the year to 31-32% of them in late July. Meanwhile, pork's premium over chicken widened to a four-and-a-half-month high of 23%, more than doubling since May. For context, in late July 2017, pork had traded at 37% of the beef price, 43% of the lamb price and at a 49% premium to the cost of chicken.

China has notified its first case of African Swine Fever (ASF) to the World Organisation for Animal Health (OIE). The outbreak was on a farm in the north eastern Province of Liaoning with more than 8,000 pigs. It has been reported that 47 pigs died from the disease on August 1 and that all remaining pigs were culled. A range of control measures have been implemented, including a ban on pig movements within a 3km radius of the farm and disinfection of all other farms within this zone. Any vehicles entering or leaving this zone must be disinfected and, by August 4, 1.88m pigs in Liaoning Province had been screened for symptoms. Closer to home, new cases of ASF in wild boar and on farms in Poland and Romania are being reported on a regular basis. Most of these cases in Romania have been near the border with Moldova and the Black Sea coast, but a handful of have been near the north western border with Hungary, and there have been a few cases in wild boar in Hungary and the Czech Republic. ASF is highly contagious and is found in all fluids and body tissues of infected pigs but poses zero risk to humans. It can be spread by vectors, such as ticks, or through contact with infected pigs, pig products or equipment and clothing that has been in contact with infected pigs.

Chinese retaliation to US tariffs on steel and aluminium included raising import tariffs on US pigmeat at the beginning of April. This left most shipments of US pork facing a 37% tariff, compared to 12% for other suppliers. By May, these tariffs had begun to bite. Having increased pork exports to China by 4% year-on-year in the first four months of 2018, US shipments to China contracted heavily in May, down 46% to 9,200t. June figures then showed a 41% decline to 7,400t. The value of pork exports to China fell at a similar rate to volumes suggesting that demand for the cuts of US pigmeat still being sold to China is less sensitive to price. US exports to Hong Kong have also contracted heavily, despite no new tariff shield on US pork arriving in mainland China via Hong Kong. Chinese authorities raised tariffs on US pork even further in July, to 62%. Having been down 13.2% year-on-year during Q1 2018, EU pork exports to China recovered once the additional tariffs had been placed on US pork, rising by 8.2% on a year earlier in April and by 14.5% in May.

Iain Macdonald – August 2018