



Monthly Market Report

June 2017

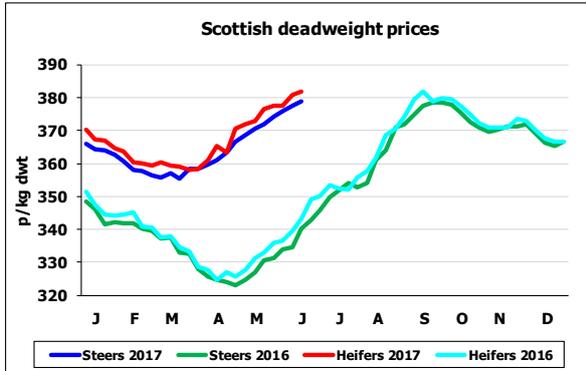
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Cattle

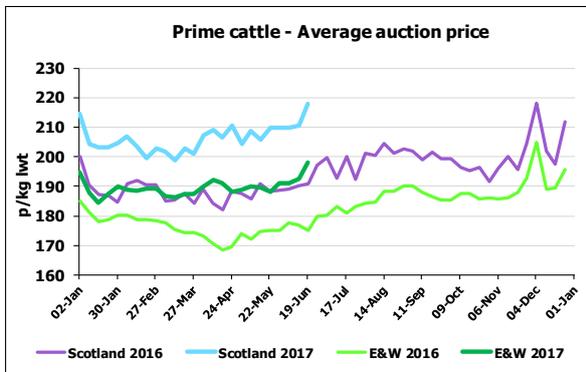
Prices and Supplies



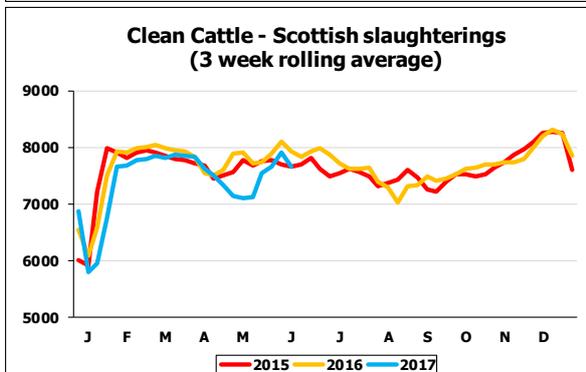
The upswing in prime cattle prices that began in March continued into June. In the week ending June 17, the average steer price at reporting Scottish abattoirs was 8p higher than in the second week of May, at 379p/kg dwt. This was marginally above its 2016 peak reached in the final week of September, and 11% higher than in the same week last year. Meanwhile, an R4L grade steer averaged 386p/kg; up from 374.5p/kg a month earlier and 345.5p/kg a year earlier. The number of

prime cattle processed by price reporting Scottish abattoirs fell by 4.5% year-on-year in the four weeks to June 17, underpinning farmgate prices at a time of firm demand for beef.

The differential between prices in Scotland and those south of the border has widened in June. Having averaged 12p/kg (3.8%) higher in the first three weeks of May, the R4L steer price averaged 16p (4.2%) higher in Scotland than in England & Wales (E&W) in the three weeks to June 17. Meanwhile, the R4L steer price in Scotland widened its advantage over the -U4L grade price from 1.5p in May to 4p in the three weeks to June 17. By contrast, for heifers, the -U4L averaged 3p higher than the R4L.



Following a period of stability in April and May, prime cattle prices at Scottish auctions have bounced higher in June. The average price had been hovering between 206 and 208p/kg lwt for a number of weeks, but then firmed to an average of 213p/kg lwt in the first three-weeks of June. This appears to have been a case of supply and demand. Indeed, having exceeded year earlier levels by 9% during the three weeks to May 17, marketings reverted to run 21% behind 2016 levels in the first three weeks of June. Compared to 2016, prices averaged 12% higher in June.



Slaughter statistics for May 2017 are based on a five-week statistical month for Scotland and Northern Ireland (NI), beginning on April 30 and ending on June 3. The E&W figures relate to the calendar month and have been adjusted to reflect the number of working days.

In Scotland, abattoirs slaughtered 38,100 prime cattle during May. While the average weekly kill picked up seasonally from April, rising by 5.5% to 7,600 head, numbers continued to fall short of 2016 levels, down 2.5%. In England & Wales (E&W), throughput of 111,800 head was up by 4% year-on-year after

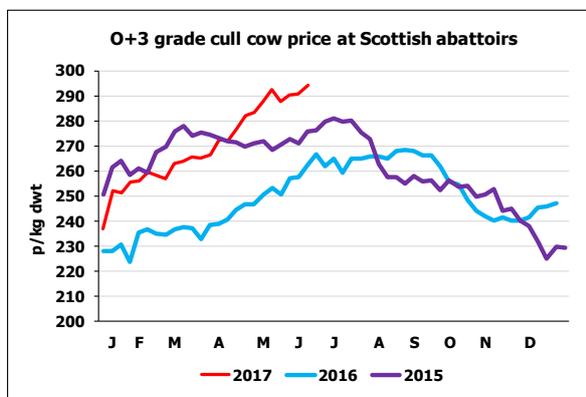
adjustment. In Northern Ireland (NI), DAERA figures show that 33,150 prime cattle were slaughtered in May; up 17.5% year-on-year.

Scottish Government slaughter data for May reveals that almost the entire shortfall in prime cattle relative to a year earlier was caused by males. Indeed, whereas the steer kill contracted by 2.5% and 13% fewer young bulls were processed, heifer numbers were down by just 0.1%. As a result, heifers rose from around 35% of the kill in May 2016 to 36% of it this year, whereas steers stabilised at 54% and young bulls slipped by a percentage point to 10%. Although young bull numbers fell significantly short of year earlier levels in May, they did rise seasonally between April and May, from a weekly average of 450 head up to 760 head.

The average prime cattle carcass weight at Scottish abattoirs slipped from 377.4kg in April to 377.1kg in May; a smaller month-to-month change than in 2016 when it fell by 1kg. Compared to May 2016, carcass weights averaged 6.6kg lighter (-1.7%). Steers averaged 386.8kg, down from 387.7kg in April and 397.0kg in May 2016. The annual rate of decline was 2.5%. Meanwhile, heifer carcasses weighed an average of 346.7kg in May 2017, down from 350.2kg in the previous month, but by only 2.2kg (-0.6%) from the same month last year. For young bulls, the average carcass weight lifted seasonally between April and May, up 17.6kg to 370.6 kg. However, this was 1.5kg lower than in May 2016; a decline of 0.4%.

The fall in throughput and carcass weights at Scottish abattoirs indicates that prime beef production fell 4.5% short of year earlier levels during May.

At £1,440, Scottish abattoirs paid 10% more for a steer carcass during May 2017 than twelve months before. Producers benefitted from a 13% higher price per kilo, but this was partially offset by the 2.5% fall in the average carcass weight.



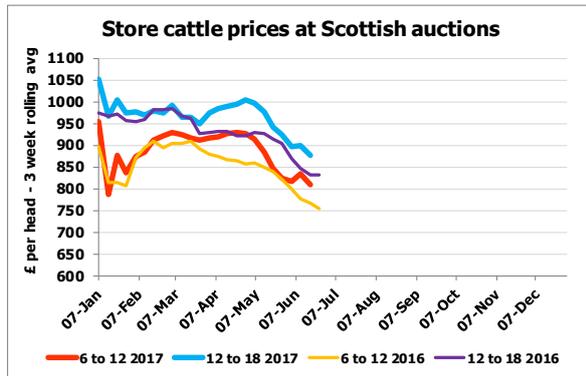
Like the prime cattle market, cull cow prices have remained on an upwards trajectory in June. In the week ending June 17, the O+3 grade had climbed to its highest level since September 2013, reaching 294p/kg dwt. This was up 6p from the second week of May and by 32p/kg from the same week last year; an annual increase of 12%. On the supply side, cull cow numbers have risen from their seasonal low point in April, with the three-week rolling average reaching its highest level

since late March. At Scottish auctions, marketings have dipped back in June, but remained higher than their April low. Prices averaged 134p/kg lwt in the first three weeks of June, up from 131p/kg in May and 117p/kg in June 2016; an annual increase of 15%. Beef cows have been trading at around 140p/kg lwt and dairy-sired cows at around 110p/kg.

During May, mature cattle slaughter volumes remained above 2016 levels at Scottish abattoirs, rising by 6% to 5,800 head. Compared to April, the average weekly kill increased by 12.5% to 1,160 head. Defra slaughter statistics for E&W suggest that the mature kill was down by 5% year-on-year in May; the fourth consecutive month to show a decline. According to DAERA, NI abattoirs handled 14.5% more cows and bulls than a year before.

Following 24 months of year-on-year declines, the average cow carcass weight exceeded year earlier levels at Scottish abattoirs during May. At 345.4kg, they were 1.4kg (0.4%) higher

than in May 2016. The seasonal increase between April and May was stronger in 2017, at 4.4kg versus last year's 1.4kg.

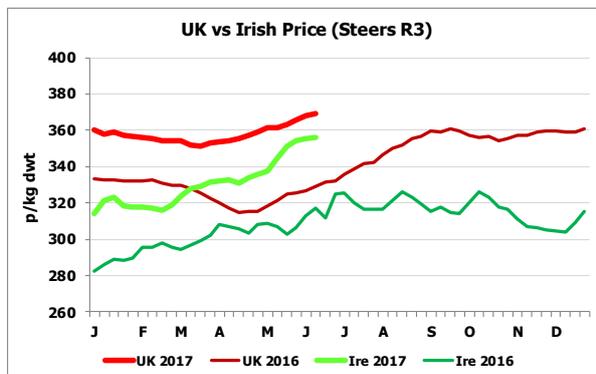


The store cattle trade has followed its seasonal trend in June with both numbers and prices sliding. In the three weeks to June 17, the 6-12 month steer price averaged £810, down from £848 in the first three weeks of May, while the 12-18 month steer price averaged £877, down from £942 in May. These were around 5.5% above year earlier levels.

In the twelve weeks ending May 21, GB households are estimated by Kantar

Worldpanel to have bought the same volume of beef as they did during the corresponding period of 2016. However, with the average price lifting by 2%, they had to spend 2% more money to secure this volume. A breakdown of sales by cut shows that 0.5% less mince was sold, reflecting a 3.5% increase in its average price. By contrast, steaks were still cheaper than a year earlier and their sales increased by 3%. Meanwhile, the volume of roasting joints declined by 4.5% from a year earlier but there was a small increase for stewing beef. The average retail price of roasting joints and stewing beef rose slightly. 70.5% of GB households bought beef during the twelve-week period, down marginally from 2016.

While volume growth in fresh and frozen beef came to an end, most categories of manufactured beef products continued to show strong growth in the twelve weeks to May 21. Kantar estimates that sales of frozen beef-based ready meals and steak pies rose by 4%, with gains of 8-10% for pasties, chilled ready meals and frozen steak pies. However, burgers disappointed, trailing 2016 levels by 1.5%.



After picking up strongly in May, Irish prime cattle prices, when quoted in euro, have cooled slightly in June. At €4.05/kg (356p/kg) in the week ending June 18, the average for an R3 grade steer was 2c/kg lower than in the previous two weeks, and 1c/kg below its May-ending level. However, it was still 10c/kg higher than it had closed April. Compared to the same week last year, prices were 1% higher in euro, but 12.5% higher in sterling terms, reflecting exchange

rate movements. A faster increase in prices in the Irish Republic had led to a halving of the Scottish premium from 12% in the second week of May to 6% by the first week of June. However, this differential widened back to 8% in the third week of the month.

The EU average price for an R3 grade young bull edged up by 0.5% from €3.72/kg dwt (314p/kg) in the second week of May to €3.735/kg dwt (328p/kg) in the week ending June 18. Prices were generally flat. There were small euro terms declines of 0.5% or less in the UK and Poland, while French prices were unchanged and the German average rose by a fraction. Meanwhile, prices increased by 0.5% in Spain and Sweden, and there were slightly larger increases of 1% in Belgium and 2% in the Irish Republic. The Dutch average was an exception to these small changes, advancing by 9%.

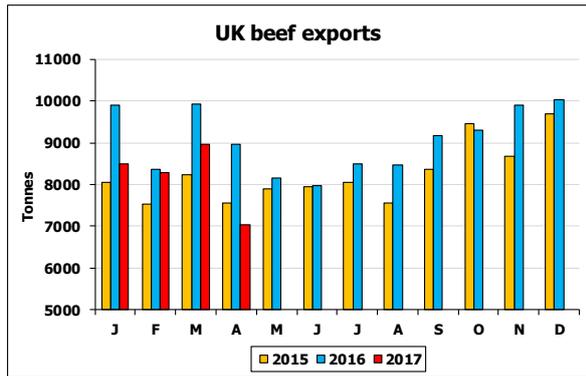
The EU average for R3 grade young bulls remained around 4% higher than twelve months before in the week ending June 18. Sweden was the main exception, averaging 4.5% behind 2016 levels. Of the Member States with higher prices than last year, the UK had one of the smallest euro terms increases, of 0.5%, while the Irish price was 1.5% higher. At around 3.5% higher than last year, prices in Belgium and Spain showed slightly below average increases. However, producer gains were an above average 5-6% in Germany, Holland, Italy, France and Poland.

Firm demand for manufacturing grade beef underpinned the EU cull cow market in June. The average price for an O3 grade cow rose by 2.5% on the month to trade at €3/kg dwt (264p/kg) in the week to June 18. It was last higher than this in August 2015. Although the EU average increased, it was not the case in every country. Indeed, euro terms prices cooled by 0.5% in both Sweden and the UK, and fell by 3% in the Irish Republic. Of those to see increases, France had a below average 1% and prices increased by around 2% in Belgium, Poland and Spain. Meanwhile, prices firmed by 6.5% in Holland and Germany.

Rising cull cow prices kept the EU average 8% higher than last year in mid-June. This was driven by a 16% increase in Germany, but there were also strong gains to producers selling cows in Italy (9%) and Poland (10.5%). Prices were also significantly higher than last year in France (7.5%), Belgium (6.5%) and Holland (6%). Smaller but still significant increases of 3-4% in euro terms occurred in the UK and Spain, while the Irish average was up by 1.5%. By contrast, Swedish cows traded at a year-on-year discount of 4%; though they were still 38.5% above the EU average.

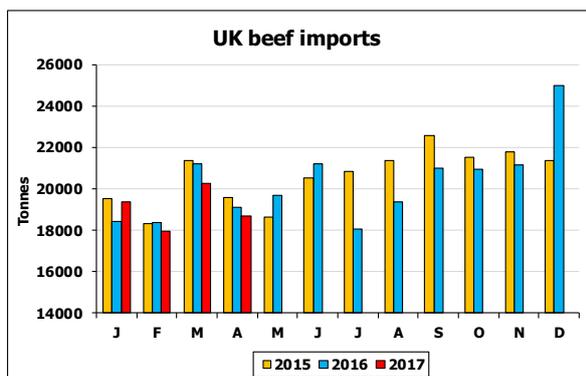
Regional price comparison			€1 = £0.878
w/e 17/06/17	Steer R3 (p/kg dwt)	Heifer R3 (p/kg dwt)	Cow O3 (p/kg dwt)
Scotland	383.3	381.7	289.9
E & W North	364.9	363.8	272.1
E & W Central	367.3	371.6	276.6
E & W South	366.5	368.8	277.6
NI	371.5	371.0	285.8
RoI (18/6)	355.8	366.5	283.4
France (18/6)	331.1	347.8	288.9
Germany (18/6)	390.0	320.4	281.2
Holland (18/6)	n/a	215.2	249.4
Spain (18/6)	n/a	338.2	199.4
Poland (18/6)	n/a	280.6	245.1
Italy (18/6)	n/a	360.4	251.6
Sweden (18/6)	445.5	391.0	365.6
EU28 (18/6)	359.7	342.1	263.8
USA (25/6)	335.7 (steer)	336.6 (heifer)	248.4 (Cutter – 90% lean & >225kg)
Australia (26/06)	374.7 (EYCI – steers & heifers)		265.8 (medium cow)

Provisional UK trade data for April points to a 21% decline in beef exports to 7,000t; an 8-year low for the month. As a proportion of UK beef production, exports accounted for 10% during April. This was two percentage points below the average for the first four months of 2017 and was down by three percentage points on April 2016.



Initial estimates of UK beef exports to the EU place volumes 28% lower than a year earlier in April, at 5,800t. It should be noted that the provisional March figure was 34% behind year earlier levels, but has since been revised to a decline of 13.5%. The declines have come despite a favourable exchange rate, with currency movements underpinning the average sterling value of shipments, rather than volumes. At the country level, trade with the two largest markets, Ireland and Holland, fell sharply on a year earlier in April, down by a respective 31% and 46%. Exports to Belgium, France and Italy also contracted, but sales to Germany and Sweden grew marginally.

After making a strong start to 2017, UK beef exports to non-EU countries continued to show growth in April with volumes up 44% on the year at 1,200t. This was 17% of the provisional monthly total, up from 9% in April 2016. The principal market, Hong Kong, underpinned overall shipments, rising by 176% year-on-year to 680t. Gabon bought 125t, compared with zero in the same month last year.



The UK imported 18,700t of beef during April. Compared to the same month last year, this was a decline of 2.5%. Whereas imports of fresh beef fell by 5% to 12,900t, deliveries of frozen beef rose by 4% to 5,700t. The former was an 8-year low for the month, but the latter a three-year high. Fresh beef accounted for 69.5% of April imports, down from 71% in April 2016 and 75% in April 2015.

At 17,700t, the UK imported 4% more beef than a year earlier from EU countries during April. Imports from the Irish Republic grew at a marginally higher than average rate to reach 13,800t. Within this overall volume imported from Ireland, fresh beef deliveries fell 2% to 9,600t, but this was more than offset by a 24% increase in frozen beef to 4,150t. Elsewhere, imports from Holland fell by 7% to 1,300t, but imports from Poland were up by 5.5% at 1,100t. Looking at the smaller suppliers, imports from Belgium, France, Spain and Germany picked up, but less arrived from Italy and Denmark.

The volume of beef brought into the UK from non-EU countries continued to run well behind year earlier levels in April, down by more than half at 965t and accounting for only 5% of monthly imports. Volumes from the main suppliers fell heavily, with declines of around 30% from Uruguay, Namibia, Australia and New Zealand, and of 85% from Botswana and Brazil. However, there was some growth in shipments from Argentina and Paraguay, albeit from a low base.

News Round Up

In the four weeks to June 17, Irish export abattoirs slaughtered 91,850 prime cattle. This was a considerable 10.5% increase over the corresponding period last year. In contrast to 2016 when it fell by 3.5%, the average weekly kill rose marginally from the previous four-week period; though, for context, the weekly average was still 5.5% below its year-to-date average. A breakdown of the kill shows that during the four weeks to June 17, steer

throughput showed the largest annual increase, of 17%, while heifers rose by 9.5%. However, young bull volumes fell fractionally. As a result, the share of steers in prime cattle slaughterings rose by 2.5 percentage points on a year earlier to 45.5%, whereas heifers slipped back by 0.5 points to 35% and young bulls lost two percentage points, sliding to 19.5%.

According to Eurostat, the number of cattle slaughtered in the EU28 rose by 0.5% year-on-year in the first quarter of 2017 (Q1). 6.507m cattle were processed, producing 1.908m tonnes of beef. With the average carcass weight sliding by 0.7kg to 293.3kg, EU beef production grew more slowly than slaughterings, rising by 0.3% from Q1 2016. In France, the largest beef producing Member State with 18% of the kill, slaughterings contracted by 1% to 1.163m head and production volumes fell by 2.5% as the average carcass weight fell by almost 3kg to 307kg. By contrast, German abattoirs produced slightly more beef as although slightly fewer cattle were processed, the average carcass weight lifted by more than 3kg to 322.7kg. Most of the other major beef producing EU nations increased production in Q1, including Spain, Ireland, Holland and Poland, but both slaughter and carcass weights declined in Italy.

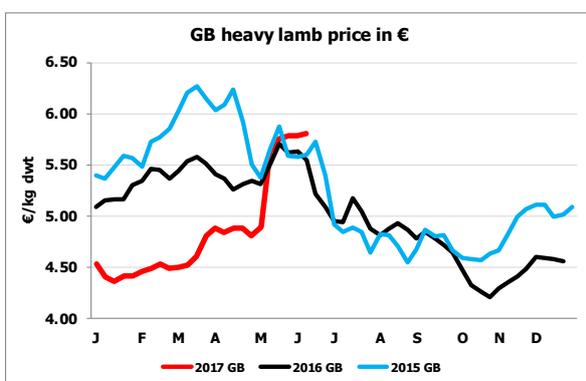
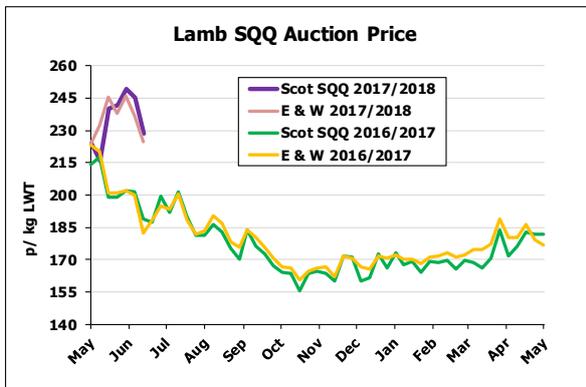
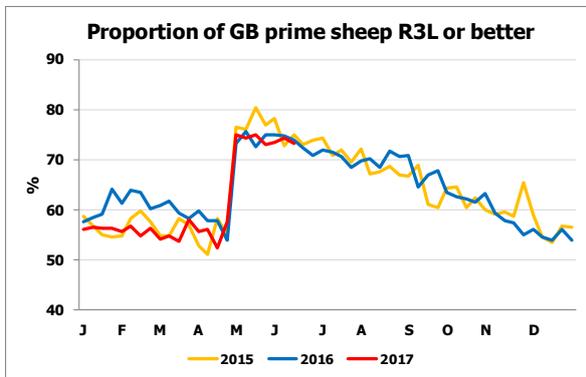
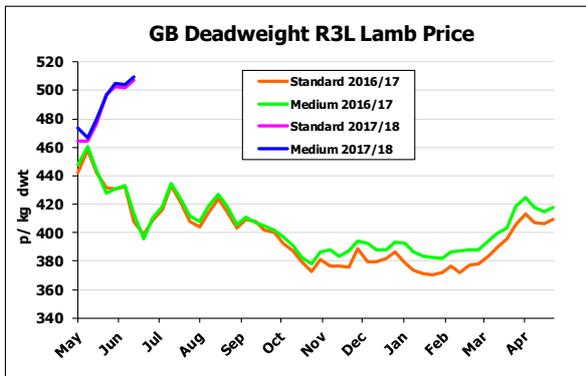
Following contraction in 2015 and 2016, Q1 2017 saw Brazilian beef production continue to fall, sliding by 0.7% year-on-year to 1.789m tonnes. However, while production volumes continued to slide, more cattle were slaughtered, rising 0.7% to 7.369m head. Therefore, the decline in production was driven by a drop in the average carcass weight. It slipped to 242.8kg from Q1 2016's 246.1kg. A breakdown of the kill by gender shows that while 7% fewer male cattle were slaughtered in Q1 2017, the number of females processed increased by 12%. This meant that the share of females in the kill increased by four percentage points to 45%. A rising proportion of females in the slaughter mix may suggest that herd consolidation is taking place.

During the first four months of 2017, US Meat Export Federation (USMEF) statistics show that the US exported 288,400t of beef. This was up by a fifth from a year earlier, underpinned by rising US beef production. The average export price was little changed at \$6,560/t (£5,100/t). The largest market, Japan, bought 81,500t of beef from the USA and this was 37% higher than in the first third of 2016. There was also above average growth of 21% into the second largest market, Korea, with deliveries rising to 49,500t. Meanwhile, closer to home, sales to Mexico and Canada rose by 11% and 17%, respectively, to reach 39,800t and 35,600t. However, exports to Hong Kong declined by 2% year-on-year to 32,700t. The EU was one of the fastest growing destinations for US exporters, rising by 46% to 8,700t. Overall growth was driven by Holland, Germany and Italy, which accounted for 88% of sales to the EU.

US beef had been banned from China since 2003 due to a case of BSE in the US. Now that China has cleared the way for US beef to re-enter its market, the USDA has published the requirements which US processors must meet. According to USMEF, these requirements will make it expensive to export to China relative to other markets. Beef or beef products must come from animals that were less than 30 months of age at slaughter and some types of offal and manufactured beef products remain ineligible. Although there are strict traceability rules, the beef does not have to be derived from cattle that were born, reared and slaughtered in the US. Indeed, cattle that were born in Mexico and Canada but slaughtered in the US can also be eligible, provided that they can be traced back to the first farm that they lived on in the US, or if imported direct for slaughter, if they can be traced back to their point of entry into the country. Whereas abattoirs in some countries require individual approval by the Chinese food safety authority for export to China, all US plants listed on the USDA's 'Export Verification Programme for Bovine' are eligible.

Sheep

Prices and Supplies



At reporting GB abattoirs, SQQ¹ prime lamb prices have made a strong start to the 2017/18 season. Four increases in six weeks took the overall average price to 509p/kg dwt in the week ending June 17. This is in contrast with the opening weeks of 2016/17 when prices had trended lower, slipping to 412.5p/kg in the equivalent week. One of the main factors pushing prices 23.5% above the same week last year will have been the slightly earlier timing of Ramadan, pushing up demand at a time when supplies are still building. Standard lamb carcasses averaged 507.5p/kg dwt in the week ending June 17, while abattoirs paid an average of 2p more than this for a medium carcass.

The proportion of new season lambs grading at R3L or better had been around half a percentage point higher than last year in the first three weeks of May. However, this reversed over the next four weeks, with 73.5% of lambs grading at R3L or better, down from 74% in the corresponding period of 2016.

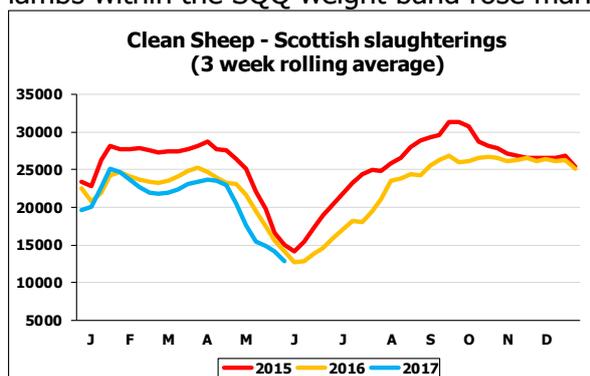
At Scottish auctions, new season lamb prices traded at an average of 240-250p/lwt in the final two weeks of May and first half of June. In the third week of June, prices then slipped back to an average of 228.5p/kg. Nevertheless, this was still a year-on-year increase of 22% and was slightly higher than in the corresponding week in both 2013 and 2014, which had been the highest on record for this time of year.

With the sterling exchange rate weaker against the euro than last year by around 10%, the 20% increase in GB prime lamb prices in sterling has converted into a 10% higher price in euro. However, rising farmgate prices in New Zealand have prevented GB prices from losing competitiveness on the

continent.

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.

GB auction market data for the four weeks to June 21 reveals a 13.5% increase in prime sheep marketings in comparison with the same period of 2016. The number of lambs sold rose by 10.5% and hogg marketings rose by nearly one-quarter, with the combined total reaching 374,100 head. The earlier timing of Ramadan means that demand has been brought forward relative to last year and producers have delivered their lambs quicker than in 2016. At the GB level, 96% of new season lambs weighed between 25.5kg and 45.5kg lwt during the four weeks to June 21; a two percentage point improvement on last year, perhaps reflecting the shift in demand for earlier marketing. North of the border, the proportion of lambs within the SQQ weight band rose markedly from 83% last year to 90% this year.



Prime sheep slaughterings trailed year earlier levels by 4% in May at Scottish abattoirs. Over the five week period, 68,500 prime sheep were processed, averaging 13,700 head each week. A seasonal fall in supplies resulted in the average weekly kill dropping by 36% from its April level.

The average prime sheep carcase weight at Scottish abattoirs during May was 20.2kg.

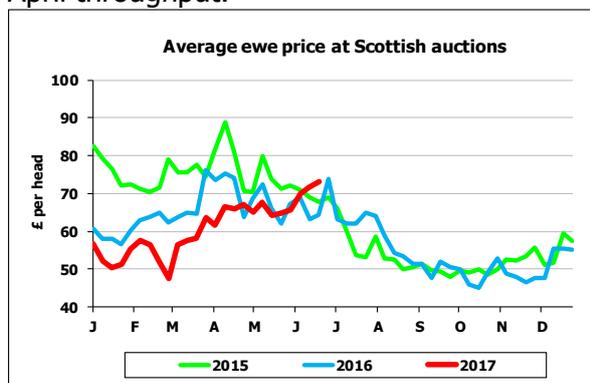
This was down by 0.7kg on the month as new season lambs began to replace hogs. Though, compared to May 2016, this was an increase of 0.2kg (1%).

With higher carcase weights partially offsetting the fall in prime sheep slaughterings, Scottish abattoirs produced 3% less prime sheepmeat than a year earlier during May.

According to Defra, 886,300 prime sheep were slaughtered by E&W abattoirs during May. After adjustment for working days, this was up 5% year-on-year. DAERA reported that 29,750 prime sheep were slaughtered at NI abattoirs during May. This was a substantial increase of 12% over May 2016.

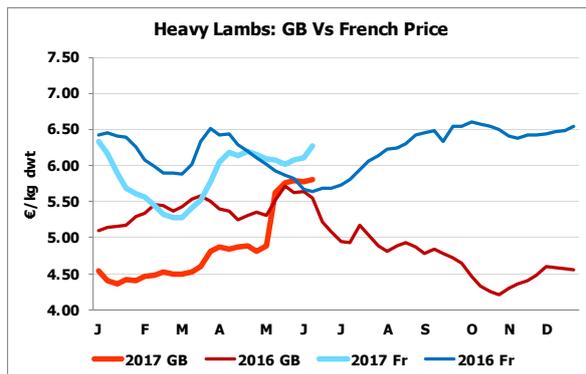
With the transition to new season lambs taking place, the average carcase weight at UK abattoirs during May is estimated to have slipped to a four-month low of 19.8kg. This was down by 0.6kg on the month. Carcasses continued to weigh heavier than last year, up 0.2kg (0.8%); though this was the slowest rate of annual increase in 2017.

During May, 128,900 ewes & rams were processed by E&W abattoirs. After adjustment, this was an annual decrease of 3.5% - the same rate of decline as in the combined March and April throughput.



The average cull ewe price has risen in June, reflecting increased sheepmeat demand during Ramadan. The three-week rolling average reached £71.60 a head in the week ending June 21. This was up by nearly 7.5% on the previous 2017 peak reached in early May. Relative to the same time last year, it was an increase of 9.5%. Numbers have risen from their seasonal low point.

The latest Kantar Worldpanel figures on lamb consumption indicate that the volume retailed in GB during the 12 weeks to May 21 fell by 15.5% year-on-year. This came as the average price of the lamb sold increased by 9%. Looking at retail performance by cut reveals that sales of lamb chops & steaks, shoulder roasts, and leg roasts all fell significantly, down by 13%, 15% and 22.5%, respectively. By contrast, sales of lamb mince progressed by 3% from the same period of 2016. A breakdown of sales by origin shows that tight supplies in New Zealand (NZ) were a large contributor to the overall decline in sales. Indeed, the volume of NZ lamb retailed fell by 20.5%, whereas sales of home produced lamb fell by 6%. 34.5% of GB households bought lamb during the 12-week period, compared with 38% a year earlier. After a prolonged period of growth, sales of lamb-based ready meals are estimated to have fallen back by 3%.

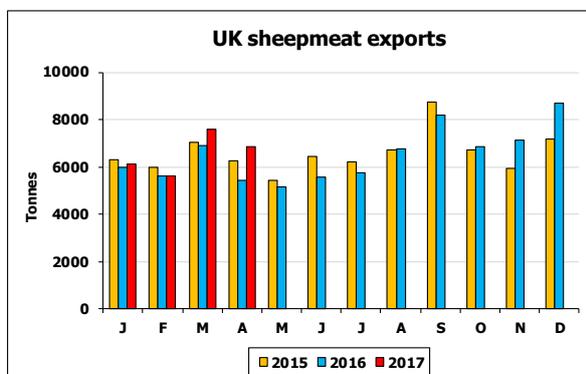


The EU average price for heavy lambs² rose 10% between the second week of May and the week ending June 18, reaching €5.47/kg dwt (480p/kg). A firm GB market drove this change, rising by 18.5% in euro terms. Elsewhere, there were smaller gains for producers in Holland (10%), NI (7.5%), the Irish Republic (4.5%), and 3-3.5% in France and Spain. However, not all member states saw a bounce, with prices sliding by 2% in Sweden and by 4-6% in Belgium, Romania and Germany.

A rising EU average for heavy lambs pushed prices 10% ahead of year earlier levels in the week ending June 18. Strong year-on-year increases were widespread, with Holland at 7%, Romania at 9%, France at 10.5%, GB at 11%, the Irish Republic and Spain at 15%, and NI at 17%. However, prices were lower than last year in Belgium (-2%), Sweden (-4%) and Germany (-6%).

Most EU Member States reporting a light lamb³ price showed an increase in the five weeks to June 18. On average, prices picked up by 4.5% to €5.32/kg dwt (467p/kg). This was largely driven by a 15.5% rise in Italy. Elsewhere, the gains were a more muted 2-3% in Greece, Croatia and Spain. Meanwhile, Bulgarian prices were unchanged and the Hungarian average dipped by 1%.

Despite increasing on the month, the EU light lamb average remained 2.5% lower than last year. Despite a strong recent upturn in the past couple of months, Spanish light lambs were still valued 7.5% cheaper than last year, while prices were down by 11.5% in Greece. By contrast, the market remained above 2016 levels in Hungary, by 4.5%, and prices were up by 6.5% in Bulgaria, 17% in Croatia, and by a fifth in Italy.



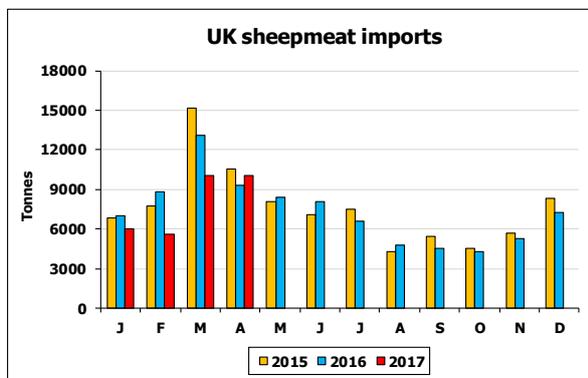
UK sheepmeat exports surged by more than a quarter year-on-year in April, reaching a

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

three-year high for the month, of 6,850t. This was equal to 29% of monthly abattoir production, slightly higher than in the first four months as a whole. Some of the April growth may have been down to the later Easter this year, pushing back deliveries from March into early April.

At 6,200t, UK sheepmeat exports to the EU were up by nearly 16% year-on-year in April. This was despite the largest market, France, buying 17% less. At 2,200t, sales to France accounted for only 32% of monthly exports, down from 49% in April 2016. By contrast, shipments to Germany, Ireland and Belgium grew strongly, up 49%, 41% and 35%, respectively, at 1,300t, 1,000t and 800t. Trade with Italy, Holland and Austria also firmed.

April also saw strong export growth in to non-EU countries. They increased nine-fold on a year earlier to a total of 675t; the highest in any month since August 2014. This was also a 10% share of the monthly total. Export growth was largely driven by Hong Kong, which took delivery of more than 500t of UK sheepmeat, up from only 50t in April 2016.



After seven months of year-on-year declines in sheepmeat imports, the UK brought in a 9% higher volume than twelve months before in April. Imports, which totalled 10,000t, were similar to the previous month, reflecting the later Easter this year. In the spring of 2016, imports had been 41% higher in March than in April.

The UK imported 8,200t of sheepmeat from New Zealand (NZ) during April. Compared to the same month last year, this was an increase of 8%. As a share of total imports, deliveries from NZ reached 82%; their highest share since posting a similar figure in April 2016. Nevertheless, over the first third of 2017, imports from NZ were still down by 24%. The average value per tonne arriving from NZ has been significantly higher than a year earlier in 2017, rising by an average of 20% during the first four months. In contrast to the increase in imports from NZ in April, less sheepmeat arrived from Australia, with volumes down by 4% at just under 1,000t. This was almost 10% of total shipments, compared with a share of 11% in April 2016. Meanwhile, sheepmeat imports from Ireland rose by 38% year-on-year to 500t; a three-year high for April.

News Round up

During the four weeks to June 17, Irish export abattoirs slaughtered 5.5% more prime sheep than in the same period of last year. Numbers increased to 194,900 head, at an average of 48,700 head per week. This was nearly 5,000 head above the average weekly volume for the year-to-date.

Teagasc have published their provisional estimates of Irish farm incomes in 2016. Including subsidies, the average sheep farm earned just over €16,000 (£14,000), down by around 1% from 2015. However, this was two-thirds of the average income across all farms (€24,100), compared with approximately 61% of it in 2015. Although total production costs fell back (as lower variable costs offset higher fixed costs) and subsidy payments edged higher, a fall in output more than offset these improvements. The average EU subsidy payment made to Irish sheep farms in 2016 was equivalent to 111% of the average sheep farm income, indicating

that the average sheep farm made a loss of around €1,700 (£1,500) excluding subsidies. 23% of sheep farms had bank borrowings in 2016, each averaging €54,500 (£47,800).

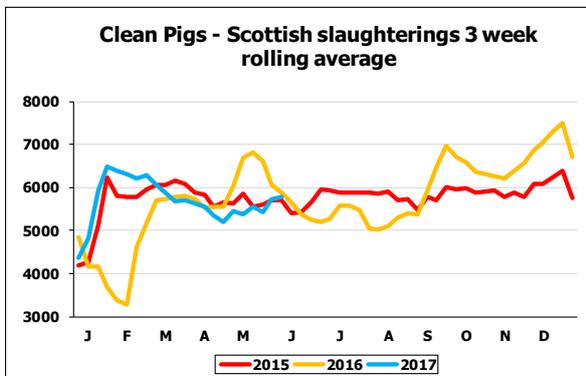
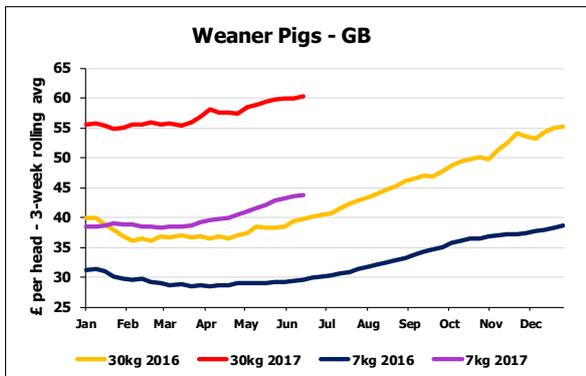
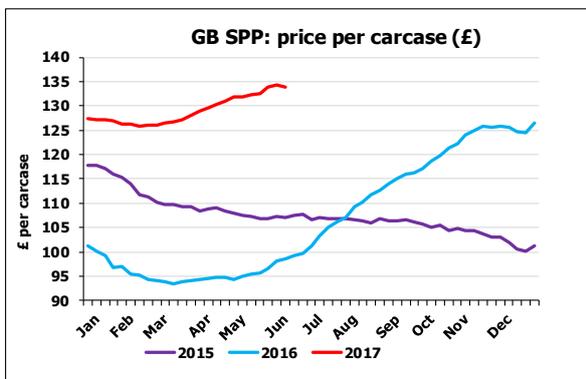
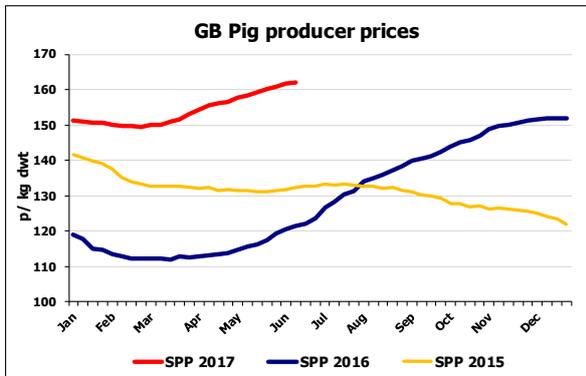
NZ abattoirs slaughtered fewer lambs during April than twelve months before, with numbers down by 21.5% at 1.863m head. This was the sixth month of the October 2016 to September 2017 season to show a decline. Over the seven-month period, throughput contracted by 8% relative to last year, slipping to 14.035m head. However, with favourable weather conditions supporting carcass weights, the rate of decline in production volumes was slower than for abattoir throughput in both April and in the season-to-date. With carcass weights averaging 0.3kg (1.5%) higher than 12 months before in April at 18.6kg, production fell by 20.5% on the year to 34,600t. Over the seven months, carcass weights averaged 1% higher, limiting the decline in production to 7%.

During the three months to April, mature sheep slaughterings in NZ fell by 1% year-on-year to 1.022m head. However, significantly higher carcass weights boosted production, resulting in a 1.5% increase to 25,600t. It is possible that the sharp increase in NZ farmgate prices has encouraged producers to cash in on older, heavier breeding sheep to support future productivity.

In the US, sheep supplies have tightened considerably this year. In the week ending June 18, the USDA estimates that 36,000 sheep were processed, down by over 2.5% year-on-year. This took the year-to-date kill to 882,000 head, a fall of 5.5% from the same period of 2016. In addition to a contraction in abattoir throughput, carcass weights have fallen back, adding to the decline in production. Indeed, in the year-to-date the average carcass weight fell by 0.8kg to 31.4kg, pulling production 7.5% short of year earlier volumes at 27,700t. As a result of tight supply, farmgate prices have surged relative to 2016, averaging one-quarter higher in the second week of June at \$4.11/kg lwt (£3.24/kg lwt). According to the USDA, lambs are currently killing out at an average of around 51% so this would suggest an average deadweight price of approximately \$8.05/kg (£6.35/kg).

Pigs

Prices and Supplies



The seasonal uplift in prime pig producer prices that began in March continued into June. After sixteen consecutive weekly increases, the GB SPP reached 162p/kg dwt in the week ending June 17. This was 4p higher than in the second week of May and over 40p/kg (33%) ahead of the same week last year. After a brief recovery in May, numbers handled each week by price reporting abattoirs dipped again in June, a month where supplies have traditionally been close to their annual low.

Carcass weights also traditionally fall to their low in summer months, tending to bottom out in August. 2017 has been no exception so far, meaning that the average carcass price has increased more slowly than the average price per kilo. In the week ending June 17, the average SPP carcass traded at £133.88. Compared to the second week of May, this was an increase of less than 1.5%, whereas the per kilo price had risen by more than 2%. However, carcass weights have fallen more slowly than last year, pushing the average carcass price 35% above its year earlier level, compared with the one-third gain for per kilo prices.

Weaner prices have followed the finished pig price higher since March. In the three-weeks to June 17, the average 30kg store pig sold for £60.22 while the average 7kg weaner was priced at £43.70. Compared to the second week of May, these were respective increases of 2.5% and 5%, and on the year, 50% and 46%. Weaner prices have risen more strongly than finished pig prices in recent weeks, raising weaner values as a proportion of the SPP carcass price. The 7kg weaner progressed to around 32.5% of the finished value in the three weeks to June 17, with a 30kg weaner being valued at 45% of it. These percentages had stood at around 31.5% and 44.5%, respectively, in May.

May slaughter statistics indicate that prime pig slaughterings at Scottish abattoirs ran lower than last year for a third month. Throughput fell by 4% to 27,900 head, working out at a

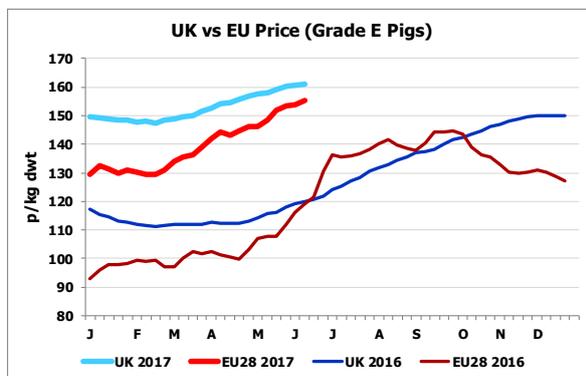
weekly average of just under 5,600 head compared with 5,800 in May 2016. Around 400 sows were slaughtered each week.

Defra slaughter statistics for May show that E&W abattoirs killed 725,500 prime pigs. Compared to a year earlier, numbers were down by 2.5% after adjustment for working days. This was the eighth fall in nine months. Meanwhile, the sow kill remained well behind 2016 levels, down 17.5%, suggesting that herd expansion may be underway. DAERA figures show that, at 149,550 head, NI slaughter plants processed 3.5% more prime pigs than in May 2016. Within this total, home produced pigs rose by 1.5% while imports increased by more than 10%. This raised the share of imported pigs from 24.5% in May 2016 to 26% in May 2017.

According to Defra, the seasonal decline in prime pig carcasse weights continued at UK abattoirs in May. The average weight fell by another 0.9kg on the month, slipping to 82.1kg. This left it 2% lower than in the opening month of the year. Nevertheless, carcasse weights remained above 2016 levels, showing a 0.6kg (0.8%) increase.

In the twelve weeks ending May 21, Kantar Worldpanel estimates that GB households bought 1.5% less pork than in the same period of 2016. However, the average retail price was up by 3%, meaning that households spent 1.5% more money than last year on a smaller volume of pork. There was a wide range in performance across the different cuts. Whereas sales of leg and shoulder roasting joints decreased, sales of pork belly, pork mince, loin roasts and chops & steaks firmed. Compared to a year earlier, the proportion of GB households buying pork fell by a percentage point to 49.5%.

In terms of processed pork products, the twelve weeks to May 21 was a good period for sausages, bacon, ready meals and charcuterie meats. Sales of these products rose by a respective 1.5%, 2%, 3% and 4%. However, pork pies and sausage rolls were less popular, down by 4.5% and 6.5%, respectively.

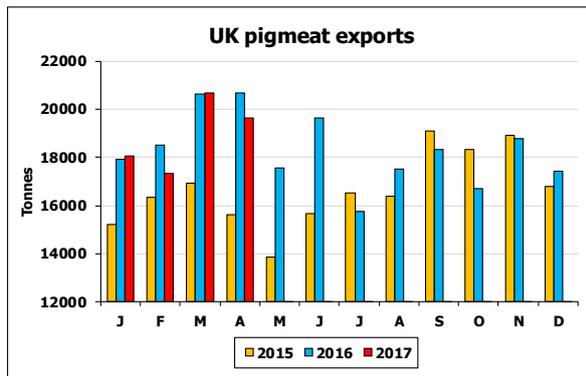


The EU average price for grade E pigs continued to climb slowly but steadily higher in June. This meant that in the week ending June 18, prices averaged 2% higher than in the second week of May, reaching €1.77/kg dwt (155p/kg). Prices were last this high in euro terms in late October 2013. The gap between the UK and EU average price narrowed to 4% in mid-June from 8% in mid-May, but remained higher than the 1% UK premium in the same week last year.

Most of the principal pigmeat producing nations in the EU saw prices rise broadly in line with the overall average between mid-May and mid-June. This was the case in Belgium, Denmark, Germany, Holland, Spain and Poland where prices increased by 2-3%. However, the euro terms price cooled by 1.5% in the UK and by closer to 2% in France.

While the EU average price remained well above 2016 levels, it had been rising more quickly through the spring and summer of 2016, meaning that the rate of year-on-year increase has slowed. In the week ending June 18, prices averaged 17.5% above last year's levels, down from 27.5% in the second week of May and 33.5% in the second week of April. In mid-June, French prices traded a well-below average 12.5% higher than last year, while the Spanish increase slowed to 15%, Holland to 16% and Denmark to 17%. However, the German price

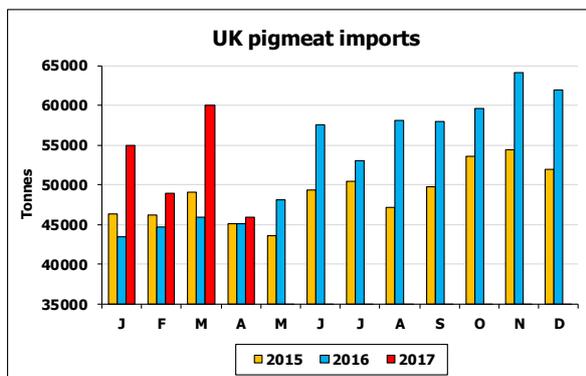
was an above average 18% higher, Belgium and the UK were up by 21% (in euro terms), and Poland led the way on 21.5%.



UK pigmeat exports fell 5% short of year earlier levels in April, totalling 19,600t. A 6.5% decline in pork exports, to 18,400t, was partially offset by a 24% advance in sales of bacon & ham, to 1,200t. UK exports were equivalent to around 29% of abattoir production in April compared with an average of 26% in the first third of the year.

China/HK has been the UK's largest pork export market in 2017. Shipments to this market grew by 11.5% year-on-year in April to reach a new record high of 5,600t and accounted for over 30% of total exports. Denmark was another destination to show growth, rising by 8% to 2,550t, but shipments to Ireland, Holland and Germany contracted significantly.

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After a prolonged period of significant growth, HMRC trade figures point to a small rise in pigmeat imports to the UK in April. Volumes are estimated to have edged 1.5% higher to reach 45,850t. Pork imports rose by 16.5% to 31,800t in April, but deliveries of cured product contracted by more than one-fifth to 14,000t; the smallest monthly delivery in many years. Bacon & ham accounted for 30.5% of pigmeat imports, down by nine percentage points on April 2016.

Although pork imports to the UK from Denmark exceeded year earlier levels by 14.5% in April, at 10,900t, volumes were at their lowest level since April 2016. Nevertheless, this was more than 34% of monthly imports. Imports from other suppliers generally showed considerable year-on-year growth. Indeed, shipments from Germany rose by two-thirds, to 6,100t, while imports from Holland and Ireland were up by 20-30%. Meanwhile, Belgium and Spain shipped 11-12% more pork to the UK than twelve months before. However, imports from France did fall by a fifth.

The overall decline in imports of cured pigmeat to the UK in April was driven by trade with Denmark which contracted by more than half to 2,800t. Imports from Germany also fell heavily, down by a fifth at 2,650t. By contrast, 4% more bacon & ham arrived from Holland with volumes climbing to 7,100t.

Feed Market

Having traded at around £140/t for most of 2017 in North East Scotland, feed wheat prices reached their highest level of the year in the third week of June, lifting to £148/t. There have been a number of brief price spikes during the first half of 2017 so it remains to be seen whether this signals a change in the market. Compared to the same week last year, prices were up by 46.5%. Global markets have risen of late due to concerns over deteriorating crop condition in the US and France, linked to hot, dry weather. A weaker sterling against the US

dollar will also have placed upwards pressure on the UK market. Feed barley prices in North East Scotland have risen from around £120/t in May to £130 in June. This is around 20% higher than last year's levels.

The cost of soyameal imported from Brazil has steadied at just under £300/t in recent weeks, following a significant decline through the spring. This suggests that prices have fully adjusted to reflect this year's improved harvest prospects in South America. With flooding in South America disrupting supply at this time last year and pushing up prices, the market has been trading 15-20% lower than last year of late, despite a weaker sterling against the US dollar.

News Round up

The Spanish Government's Agriculture Ministry publishes monthly household consumption estimates. Spanish consumers are estimated to have spent €712m (£625.7m) on 124,500t of pigmeat during Q1 2017. Compared to a year earlier, spending increased by 0.5%, but this bought 1.5% less pigmeat as the average price rose from €5.62/kg (£4.94/kg) to €5.72/kg (£5.03/kg). Pigmeat accounted for 22% of all meat sales volumes (including processed meat) in Q1 2017 and 20% of the spending on meat as its average price was 91% of the average for all meat. A fall in consumption came at a time when the country's pigmeat production expanded by 3% to 1.132m tonnes.

Wholesale pork prices in China have been trending steadily downwards since the Chinese New Year was celebrated at the beginning of February. In the week ending June 18, the average wholesale pork price, according to the Chinese Ministry of Agriculture, stood at 19.85 yuan/kg (£2.28/kg). This was down by 5.5% when compared to the second week of May, and by more than a fifth from 24.95 yuan/kg (£2.87/kg) in the first week of February. Furthermore, since wholesale pork prices had reached their annual peak in June 2016, the year-on-year discount widened from 21% in mid-May to 26.5% in mid-June. With beef and sheepmeat prices declining by only a fraction since May, pork has become even more competitive, sliding from 39% to 37% of the wholesale beef price and from 45.5% to 43% of the wholesale sheepmeat price. Although pork remained significantly dearer than chicken, the margin narrowed by five percentage points to 54.5%.

Chinese trade data sourced from the Hong Kong Trade Development Council indicates that the volume of pork imported into China fell by 10% year-on-year in April to 106,500t. This meant that monthly import volumes were at their lowest since February 2016 and fell by 14% between March and April in contrast to a 3.5% increase between these months in 2016. However, the average value per tonne imported in US dollars exceeded year earlier levels for a second consecutive month in April, averaging 3% more than last year at \$1,860/t (£1,460/t). It should be noted that although import volumes now appear to have slowed, imports began 2017 at a much higher base than they had opened 2016, resulting in a 21% year-on-year increase in imports during Q1 2017.

Slaughter statistics from the Mexican Government show that the country's abattoirs slaughtered 1.104m pigs during Q1 2017, producing 80,800t of pigmeat. Compared to Q1 2016, these were respective increases of 0.5% and 1.5%. The stronger lift in production volumes than in slaughterings reflects an increase in the average carcase weight by 0.7kg (1%) to 73.2kg.

Iain Macdonald – June 2017

QMS