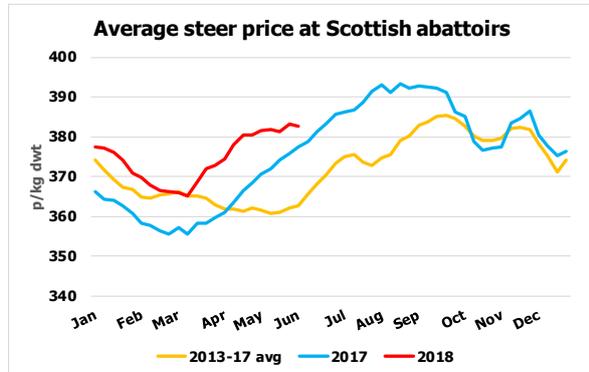


MARKET REPORT - June 2018

Cattle

Domestic Market

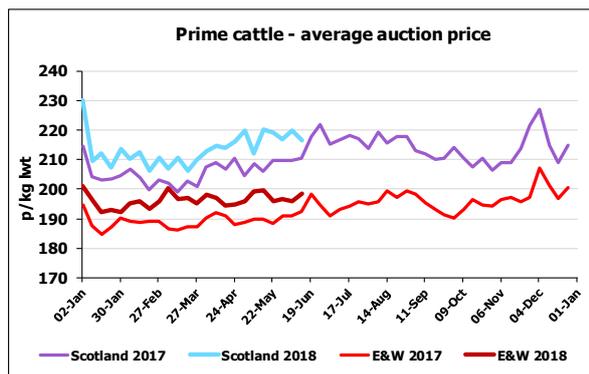


Unlike the previous couple of years, where market prices trended higher through May and into June, prime cattle prices have been more stable this year. In the week ending June 9, the average steer price at Scottish abattoirs was 1p higher than four weeks previously, at 382.6p/kg dwt. The year-on-year premium has narrowed in recent weeks, to stand at 1.4%, compared to a 2.5% to 4% gap seen during the opening 20 weeks of 2018. Meanwhile, the average price paid for an R4L

grade steer has also been stable in recent weeks, trading at 387.5p/kg dwt in early June. This was up 1.1% year-on-year.

Helping explain the recent price stability has been a seasonal lift in supply. In the four weeks to June 9, numbers were 5% higher than in the previous four weeks. Relative to last year, volumes were relatively stable, down 0.1%. However, there was significant volatility between categories as a 4.9% increase in heifers was more than offset by respective declines in steers and young bulls of 2.1% and 4.1%.

The premium for an R4L steer in Scotland over the England & Wales (E&W) has been fluctuating between 8p and 12p (2-3%) since the beginning of April. In the four weeks to early June, R4L steers at Scottish abattoirs averaged 2.5p/kg more than -U4L steers, whereas -U4L heifers showed a 3.6p premium over R4L heifers. This suggests that -U grade steers continue to face pricing penalties due to heavy carcass weights.

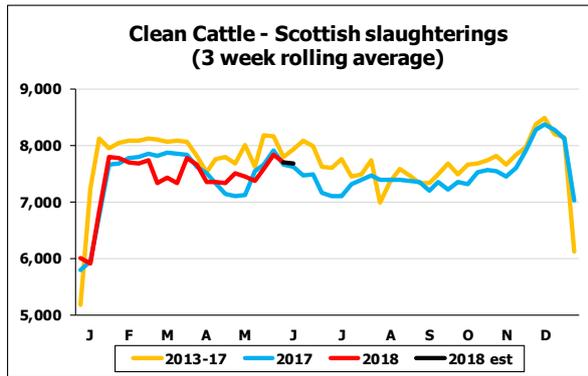


Having risen by around 8p/kg lwt in April, the average prime cattle price at Scottish auctions lacked direction through May and into the first half of June, with its three-week rolling average steadying at 217-218p/kg. As a result, the market has held an annual premium of 3-4%. Auction volumes ran 3.4% higher during the four weeks to June 13 than in the previous four-week period, but continued to trail last year's levels, down 8.8%.

Slaughter statistics for May 2018 are based on a five-week statistical month for Scotland and Northern Ireland (NI), running from April 29 – June 2. For England and Wales (E&W), slaughterings are based on the calendar month and have been adjusted for working days.

After two months of annual increases, Scottish Government slaughter statistics showed a small 0.3% decline in prime cattle throughput to 38,000 head during May. The average weekly kill rose seasonally on the month, by 3.9% to reach 7,600 head, but picked up by less than it had between April and May last year (+5.5%). According to DAERA figures, the prime kill fell by

nearly 5% year-on-year in NI, dropping to 31,600 head in May. By contrast, after applying a working-day adjustment, the E&W prime edged 0.4% higher.



May slaughter statistics for Scotland show that heifer numbers continued to exceed year earlier levels (+3.4%), while the young bull kill remained lower (-5%). However, steer numbers slipped into contraction, down 1.9% year-on-year. Steers fell to 53.1% of the monthly prime kill from April's 55.1%, and continued to take a smaller share than last year (53.9%). While the heifer share did fall back by 2.4 percentage points between April and May, to 37.4%, it was above May 2017's

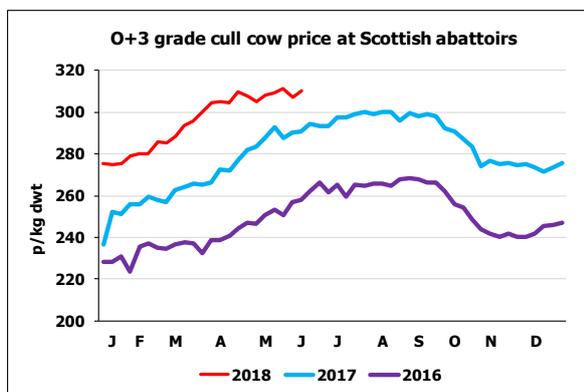
36.1%. The seasonal climb in young bull throughput towards its summer peak began, raising its share of the prime kill from 4.9% in April to 9.5% in May, although this was down 0.5 points on May 2017.

Average carcase weights at Scottish abattoirs (kg)				
	Steers	Heifers	Young bulls	Prime Cattle
May 2018	384.3	344.3	373.0	368.6
April 2018	387.2	348.5	357.9	370.6
May 2017	386.8	346.7	370.6	371.2

The average prime cattle carcase weight at Scottish abattoirs fell by 2.9kg (0.8%) between April and May to 368.6kg. This was 2.6kg (0.7%) lower than in May 2017. Monthly falls for steers and heifers were partially offset by a significant increase in young bull carcase weights. It was a similar case for the year-on-year change, with steers and heifers down 0.7% whereas young bull weights rose 0.6%. Market signals continued to influence steer production, placing downwards pressure on their carcase weights.

May's slight fall in the average prime cattle carcase weight relative to twelve months before reinforced the impact of marginally lower throughput on prime beef production at Scottish abattoirs, lowering it by 1% on last year.

During May, the average price paid for a prime steer carcase by Scottish abattoirs was £1,467. This was a nine-month high and up 1.8% year-on-year. This reflected a 2.5% rise in per kilo prices set against a 0.7% decline in the average steer carcase weight.



After a strong opening quarter of the year, when cull cow prices had been rising at a monthly rate of 3-6% at reporting Scottish abattoirs, the market has risen more slowly over the past couple of months. During April, the O+3 grade price rose by around 1% and it was only 0.6% higher in the week ending June 9 than in the week to May 12, at 310.3p/kg dwt. This was 6.7% in front of the same week last year, down from annual increases of 12% as recently as the third week of April. Numbers handled by price reporting abattoirs

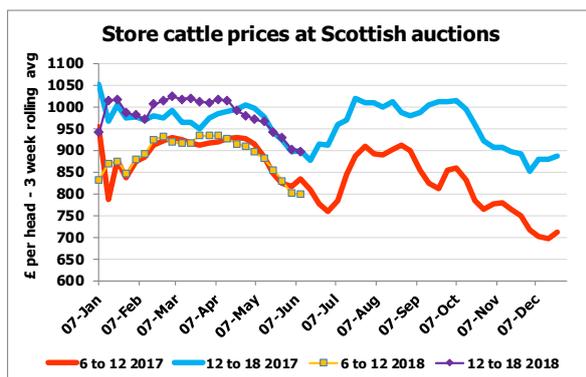
in the four weeks to June 9 were around 7% lower than in the previous four weeks, but 4.4% higher than in the corresponding period last year.

Having averaged around 134p/kg lwt for two months from mid-March, the average cull cow auction price in Scotland jumped to 142p/kg in the week ending May 16, and held relatively stable for the next four weeks. Cull cow marketings have followed their seasonal trend, climbing from mid-April until late May, before falling back again. In the three weeks to June 13, weekly marketings averaged 530 head – their lowest since late April and significantly lower than last year. In the second week of June, beef cows, which accounted for 69% of marketings, averaged 153.4p/kg while dairy cows sold for 119.1p/kg.

Scottish abattoirs processed 4.4% fewer mature cattle than twelve months before in May with numbers slipping to 5,700 head. At an average of 1,130 per week, this was a 6.9% fall on the previous four weeks, compared to a 12.2% lift between April and May 2017. By contrast, DAERA data for NI abattoirs showed a small 0.7% expansion, while Defra figures point to a 5.7% increase in E&W.

At 346.3kg, cull cow carcass weights at Scottish abattoirs exceeded year earlier levels for a third month. With the month-on-month increase the same as had been seen between April and May 2017 (+4.5kg), the year-on-year increase remained at 0.8kg (0.2%).

Store Cattle Market



Store cattle prices continued to follow their seasonal trend lower through May and into June. The three-week rolling average for 6-12-month steers began June at £799 per head, down from £896 at the beginning of May, while 12-18-month steers slipped from £971 as May commenced to £897 in the first week of June. Since prices have fallen at a slightly quicker rate than last year, the market dipped back behind 2017-levels in late May, with the three-week rolling average for

younger steers down 4.2% and yearlings down 0.2%. Meanwhile, marketings have slumped towards a seasonal low. In the three weeks to June 9, just over 300 younger steers and 500 yearlings were sold on average each week. Nevertheless, relative to 2017, these were considerable increases.

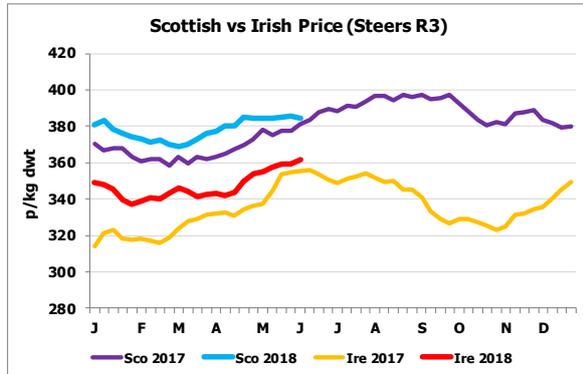
Retail Sales

According to Kantar Worldpanel, GB households matched their year earlier monetary out-lay on beef in the 12 weeks to April 22. With the average retail price falling by 0.3% to £7.75/kg, this secured a slightly higher volume of beef. A breakdown into the main product groups shows that the small rise in volume was driven by a 3.6% increase in sales of stewing cuts and a 0.5% increase for mince. By contrast, the volume of roasting joints bought fell by 0.5% and there was a 3.8% fall for steaks. This was despite a lower average retail price for steaks and increased prices for the other categories. 74% of GB households bought fresh and frozen beef during the period.

Processed beef products posted mixed results for the twelve-week period ending on April 22. There were small increases of around 0.5% beef-based pasties and frozen beef-based ready

meals, and a 1.2% increase for chilled ready meals. By contrast, there was a 1.9% decline for burgers, and sales of fresh and frozen steak pies fell by 7-8%.

EU/International Market Prices



The upwards trend in Irish prime cattle prices that began at the start of February has continued into June. An average R3 grade steer sold for €4.12/kg (361p/kg) in the week ending June 10, up 2% from €4.04/kg (354p/kg) in early May and by 7.7% from their February low. Compared to the same week last year, prices were up 1.2%, and they reached their highest level since August 2015.

When converted into sterling, Irish prime cattle prices have picked up since April, having flat-lined for three months prior to that. With sterling now trading at an only slightly weaker than year earlier level, the year-on-year premium in sterling terms has narrowed to 1.8% in early June, moving much closer to the euro terms premium, having run at 4-6% for most of the spring. With Scottish prices stabilising more recently, the differential between prime cattle prices in Scotland and the Irish Republic has fallen back to open June at 6% compared with 9-11% in March and April. The gap had narrowed similarly over the same period last year.

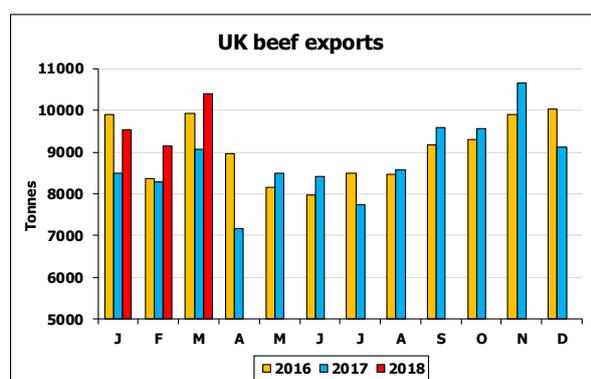
The EU average for an R3 grade young bull fell back between mid-April and mid-May, before stabilising. At €3.77/kg (331p/kg) in the week ending June 10, prices were down 0.5% on early May but remained slightly higher than last year, up 1.3%.

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. This left it up 0.8% on the month and by 2.7% on the year, at €3.07/kg (269p/kg).

International cattle price comparison (p/kg dwt)						
	Steer/Young bull (R3)			Cow (O3)		
	w/e 10/06/18	% change Vs 13/05/18	% change y/y	w/e 10/06/18	% change Vs 13/05/18	% change y/y
Scotland	384.7	+0.1	+1.7	301.9	+0.4	+7.8
E & W North	375.3	+1.2	+5.4	288.0	+1.7	+7.3
E & W Central	373.6	+0.0	+3.7	290.0	+0.8	+8.0
E & W South	374.7	+0.6	+3.6	291.3	+3.0	+8.8
NI	372.6	+2.0	+1.0	300.6	+2.3	+6.1
RoI	361.7	+1.9	+1.5	304.4	+0.9	+5.6
Belgium	263.9	+0.0	+0.8	254.4	+0.6	+5.3
France	319.3	-0.3	-3.0	283.3	+0.2	-0.9
Germany	334.2	-0.0	+4.3	283.3	+2.2	+1.9
Netherlands	314.0	+0.4	+4.7	260.5	-1.8	+5.7
Spain	338.8	-2.0	+3.7	212.7	+1.4	+9.6

Poland	295.5	-0.7	+3.5	259.9	+0.3	+5.5
Italy	322.3	n/a	-7.2	265.7	n/a	+8.1
Sweden	383.5	-0.4	-4.6	351.8	+0.9	-1.4
EU28	329.0	-0.0	+0.9	269.1	+0.7	+3.1
EU prices converted at a weekly € value of:	87.7p	87.8p	87.4p	87.7p	87.8p	87.4p
USA	300.7 (steer)	-3.8	-27.0	199.5 (Cutter: 90% lean & >225kg dw)	+0.7	-18.5
Australia	269.3 (EYCI – steers & heifers)	-0.0	-28.7	196.4 (Medium cow)	-0.6	-26.2

UK Export & Import Statistics



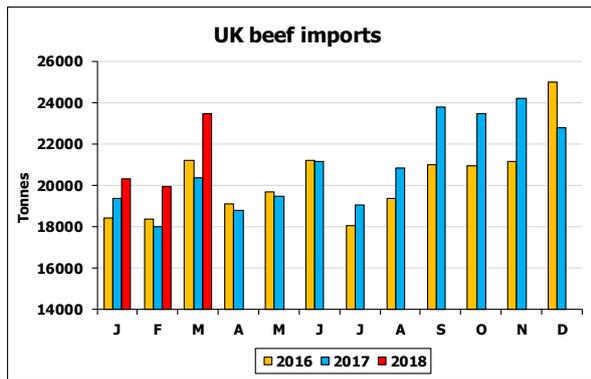
Trade data from HMRC suggests that UK beef exports continued to show year-on-year growth in March. Volumes rose by 14.5% to 10,400t – a six-year high for the month and up more than 16% on the average March volume between 2013 and 2017. During Q1, exports rose by 12.5% to 29,100t. Exports are estimated to have been equivalent to 13.7% of UK beef production in March, up 1.1 percentage points on the month and 2.2 points on the year. During Q1, exports were

equal to 12.7% of production, up from 11.4% in Q1 2017.

UK export growth in March was underpinned by shipments to the EU, which rose by 16.8% year-on-year to 9,100t. This was slightly below the growth rate for Q1 as a whole, with sales to the EU climbing by almost a fifth to reach 26,300t. Exports to the two principal export markets rose strongly in March, with Ireland up 31% year-on-year at 3,800t and the Netherlands showing growth of 28% to 2,200t. Of the smaller markets, Germany more than doubled, to 650t, while Belgium, France, Spain and Sweden showed below average increases of 5-10%, but deliveries to Italy and Denmark fell back.

Following significant year-on-year declines in the opening two months of 2018, UK beef exports to non-EU countries returned to growth in March, rising 0.8% to 1,300t. However, this meant that the Q1 total of 2,800t was still 29% below its year earlier level. The March recovery was driven by trade with Hong Kong, which rose to its highest volume since September 2014. Exports to HK rose by 26% on a year earlier to 795t, but were still down by 7.5% in Q1 as a whole.

March was the eighth time in nine months that the volume of beef imported to the UK exceeded year earlier levels. At 23,600t, volumes showed an annual increase of 15.9% and were at their highest March level for fourteen years. In addition, this was 16.3% above the



2013-17 average for March. During Q1, imports rose by 10.7% to 63,900t. Within imports there has been a rebalancing of deliveries this year, with fresh beef accounting for a smaller share of the total. In March, imports of fresh beef rose by 6.2% year-on-year to 15,700t, while imports of frozen product increased by 41.4% to 7,900t. Consequently, fresh beef accounted for 66.4% of March imports, compared with 72.5% in the third month of 2017. In Q1 as a

whole, fresh imports edged up by 1.1% to 42,700t while frozen expanded by 37.1% to 21,200t, lowering the share of fresh beef to two-thirds from 73.2% a year earlier.

Imports of beef to the UK from EU Member States rose by 14.3% year-on-year in March to 22,500t. This was 95.2% of monthly imports, up from 93.1% in the previous two months, but down 0.6 percentage points on the year. During Q1, imports from the EU rose by 9.1% to 60,000t. The main supplier of beef to the UK – Ireland – delivered 18,100t of beef in March. This was a 18.1% annual increase and meant that Ireland increased its share of UK imports to 76.6% from 73.7% in the previous month and 75.1% a year earlier. Imports of fresh beef from Ireland rose by 13.5% to 12,850t, while deliveries of frozen beef were 34% higher at 5,250t. In contrast to Ireland, March imports from the Netherlands and Poland were 7% and 5% lower than last year, at a respective 1,150t and 1,200t.

March saw a continuing rebound in the UK's beef imports from outside the EU. Deliveries rose by 34% to 1,150t, taking the Q1 total to 3,900t, which was a 44% annual increase. Botswana was the main non-EU supplier in March, with 400t. This was a three-fold increase on twelve months before. Argentina, Namibia, New Zealand and Paraguay also increased their shipments to the UK, but deliveries from Brazil, Uruguay and Australia dropped back.

Global Market Round Up

Cattle slaughter in Ireland has been running ahead of year earlier levels through May and into June. Like the UK the growth has been driven by increased volumes of steers and heifers while young bull availability has declined.

Bord Bia report that the Republic of Ireland have increased their live cattle exports over the first five months of 2018 by almost a quarter to reach 154,000 head. Only 6% of these animals arrived in the UK as a whole and only 1.6% came to GB. Spain and the Netherlands accounted for almost three-quarters of the trade. Some 84% of the live exports were considered to be calves.

Beef production in Argentina over the first quarter of 2018 has increased by 8.5% over the same period in 2017. This expansion in production is once again leading to Argentina becoming a major player on the global beef market. Argentina has reached agreement with China to extend imports of beef from frozen boneless to all fresh and frozen product and has seen significant growth in its exports to China in the first quarter of 2018. It has also increased its exports to the EU over the first quarter of 2018, particularly to Germany and the Netherlands.

Continued dry weather in many parts of Australia is resulting in slaughter numbers 10% higher than last year in the first third of 2018; but at slightly lighter carcase weights. On the back of

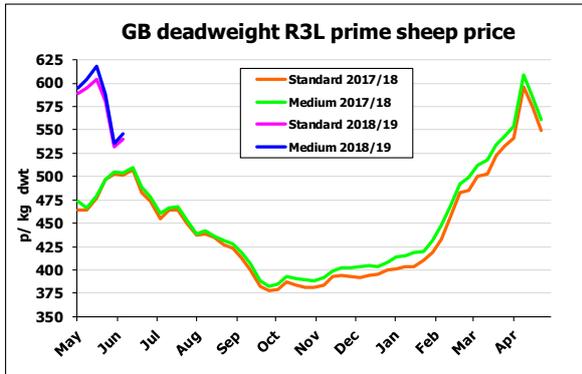
higher production Meat and Livestock Australia is forecasting a growth of 3-4% in Australian beef exports during 2018. However, they expect greater competition from Brazil and Argentina in their key export markets which will weigh on Australian producer prices.

Meanwhile, the USDA is expecting US beef production to increase by 5-6% in 2018 and for their exports to increase by 6% with their imports rising 1.5%.

These global indicators point to more competition in global markets that will constrain global beef prices.

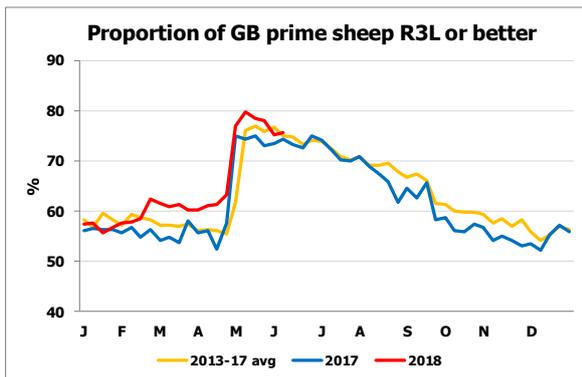
Sheep

Domestic Market



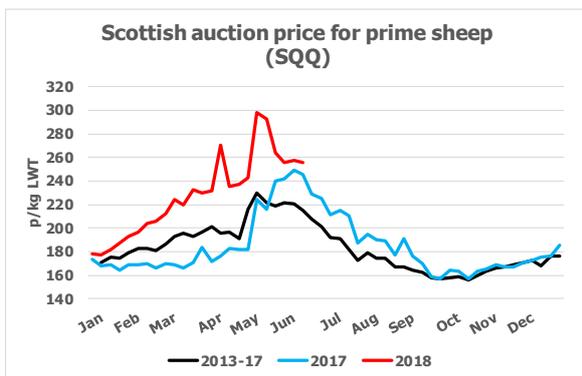
After the record hogg prices seen in April, new season lamb prices opened 2018/19 at record levels above the £6/kg dwt mark. The average SQQ¹ prime sheep price at GB reporting abattoirs peaked in the third week of May at 619.5p/kg, before softening. After falling back towards the end of May, they then bounced higher to trade at 549.3p/kg in the week ending June 9. This was up 8.9% on the same week last year, reflecting that the new season price peaked later last year, part of which is

likely to have reflected the later Ramadan in 2017. Reflecting the challenging winter and early spring weather, volumes of new season lambs handled by GB reporting abattoirs were down by more than 40% year-on-year in the first six weeks of the 2018/19 season. In the first week of June, standard lamb carcasses averaged 548.8p/kg dwt with medium carcasses trading at a 10.5p/kg premium to this. However, there was a smaller premium of 5.8p/kg for a medium R3L carcass over a standard R3L.



One factor supporting hogg prices at GB reporting abattoirs during the spring was an improvement in quality. Early marketing of new season lambs suggest that this lift in quality relative to last year has continued. Indeed, the proportion of new season lambs grading at R3L or better was 2.8 percentage points higher in the first six weeks of the 2018/19 season than in the corresponding period last year, at 76.8%. The proportion peaked at 79.7% in the week ending May 12,

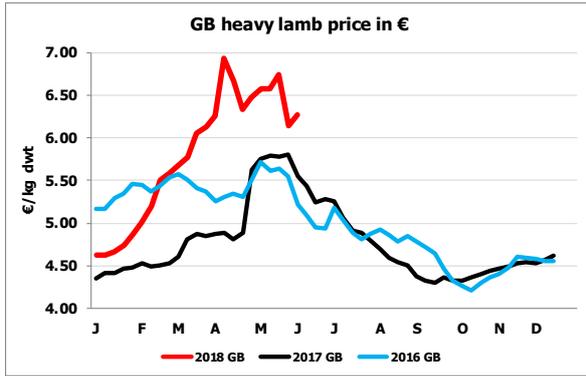
but had eased to 75.5% in the first week of June, returning it in line with its 2013-17 average.



Tight supplies resulted in new season lamb prices opening 2018/19 at record levels at Scottish auctions, averaging around 295p/kg lwt in the first three weeks of May. Prices then fell by nearly 40p/kg in the fourth week of the month. Since then they have steadied, with the average SQQ lamb selling for 258p/kg in the second week of June. This was 5% higher than in the same week last year, reflecting the later new season peak in 2017. Prices continued to vary significantly across the

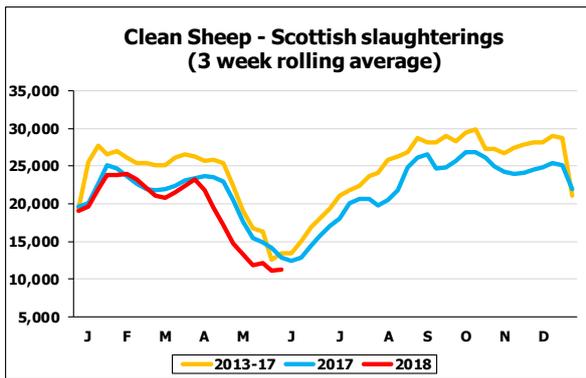
weight ranges in the second week of June. Lightweight 25.5-32kg lambs sold for 203p/kg, standard 32.1-39kg lambs averaged 251p/kg, medium 39.1-45.5kg lambs traded at 259p/kg and heavy 45.6-52kg lambs cleared at 260p/kg.

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.



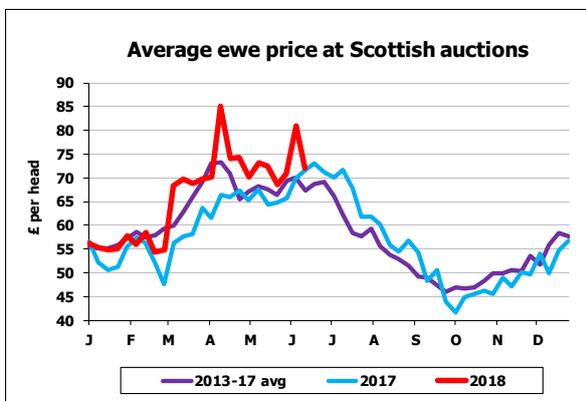
With GB lamb prices running above 2017 levels and sterling now trading at a similar level against the euro as last year, the latter reflecting the weakening of sterling around the time of last year’s UK General Election, GB farmgate lamb prices are trading higher than 12 months ago in euro terms. Indeed, the euro price for a GB heavy lamb exceeded its year earlier level by 6.2% in the final week of May and then by 8.3% in the opening week of June.

GB auction market data for May shows that while more hogs were traded than a year earlier, new season lambs were slow to reach the market, lowering overall supplies. Indeed, hogg volumes rose by 12.4% to 256,100 head, but this was more than offset by a decline of nearly a third in lambs, to 123,200 head. 94.1% of the lambs sold weighed within the 25.5-45.5kg SQQ weight range, down from 95.1% in May 2017. Meanwhile, 62.6% of hogs were classed as SQQ, compared with 57.3% a year earlier. In Scotland, total prime sheep marketings rose by 1.2% on last year as although new season lamb marketings halved on a year earlier, 9.5% more hogs were sold. Lambs accounted for 7% of Scottish auction volumes and 32.5% of GB volumes in May.



Having fallen back sharply relative to 2017 in April, prime sheep slaughter in Scotland remained significantly lower than last year in May, down 15.1% at 58,200 head. The average weekly kill slumped by another 26% between April and May following a 30% decline between March and April. However, this 26% was a smaller month-on-month decline than the 36% seen between April and May 2017. NI slaughter data, courtesy of DAERA, also showed a considerable decline on

May 2017, with numbers down by 13.3%, while the working-day-adjusted E&W kill was down 6%.



Adding to the tightness of supply at Scottish abattoirs in May was a seasonal fall in carcass weights. The average prime sheep carcass fell by 0.5kg (2.3%) on the month and 0.8kg (4%) on the year to 19.4kg. As a result, the 15% decline in throughput converted into a 18.5% decline in prime sheepmeat production.

Cull ewe prices at Scottish auctions have traded at between £68 per head and £74 per head in 13 out of the 15 weeks between the beginning of March and the second week of June. The other two weeks saw prices spike – to £85 in early April – and then to £81 in the opening week of June. Throughout the period, the market has cleared at well above 2017 levels, averaging at a premium of 13%. A seasonal low in marketings has underpinned the cull ewe trade in recent weeks. Marketings have averaged around 3,500 head per week since

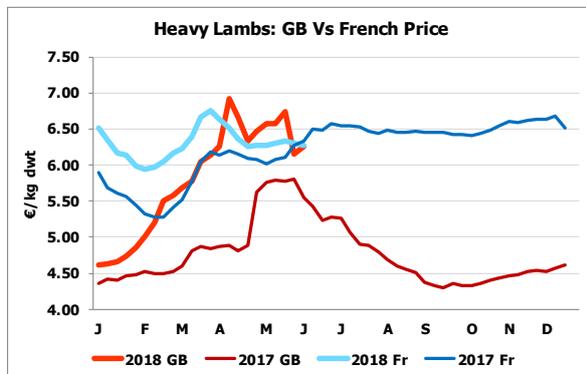
the beginning of April, compared with 5,200 head during the first quarter of the year. In the six weeks to mid-June, numbers sold were up 31% year-on-year, so higher prices indicates some strength of demand, with the earlier Ramadan likely to have had some impact on both supply and demand.

The mature sheep kill at E&W abattoirs is estimated to have declined by 5.6% year-on-year in May. By contrast, the mature sheep kill at Scottish abattoirs continued to grow strongly in May, albeit from a very low base. Though carcass weights were lower than last year, they remained well above the UK average (31kg vs 25.4kg).

Retail Sales

Kantar Worldpanel figures for the 8-week period to April 22 shows that while more GB households bought lamb than at Easter 2017, a 9% increase in the average retail price turned a 3.2% rise in spending into a 5.5% decline in the volume retailed. Indeed, the average selling price was up 73p on the year at £8.74/kg. 56% of the volume sold was in the form of lamb leg roasts, compared to their 40% share of annual lamb sales. 7% more households bought leg roasts than a year earlier but price inflation of 14% meant that the volume sold declined by 7% despite a 7% increase in the amount of money spent buying them. In part, this is likely to reflect falling import volumes and rising import prices. Chops & steaks and lamb mince proved less popular than a year earlier, with spending and volumes down, but households spent 9% more on shoulder roasts, translating into a volume increase of 7.7%. Lamb-based ready meals continued to show a significant contraction.

EU Market Prices



At €5.89/kg (£5.19/kg dwt) in the week ending June 3, the EU average price for heavy lambs² was down 4% from the first week of May and traded at its lowest level in eleven weeks. This was largely caused by sharp price falls in the week to June 3 across the British Isles. Nevertheless, prices continued to run higher than last year in much of the EU. When quoted in sterling, the EU average was down by 4.7% on the month, but remained 8.8% above 2017 levels.

The EU light lamb³ average trended lower through May, ending the month 2.5% below where it had begun it, at €5.06/kg dwt (£4.46/kg). However, unlike the heavy lamb average, prices averaged below 2017 levels, down 3.9%.

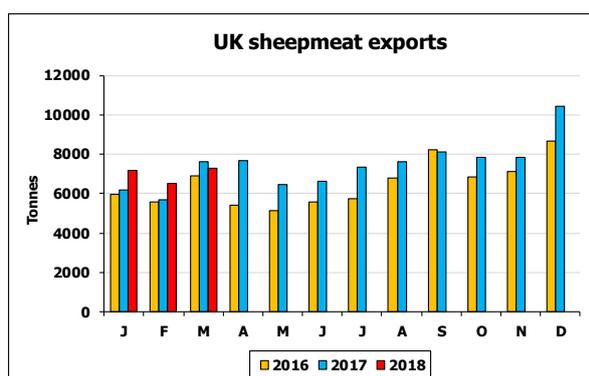
Prime sheep prices (€/kg dwt)			
	w/e 03/06/18	% change v 06/05/18	% change y/y
Heavy lambs			
Belgium	601.2	+1.9	+6.4
Germany	605.5	+3.2	+14.2
Spain	513.4	-1.6	-2.2

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

France	630.0	+0.3	+3.8
Ireland	540.3	-9.2	+1.0
Italy	488.0	-5.2	-3.2
Romania	240.3	+4.4	+9.7
Sweden	534.5	+1.2	-5.3
GB	608.5	-5.3	+5.9
NI	530.2	-9.3	+1.8
EU	588.8	-4.0	+8.5
NZ (17kg)	439.3	+6.6	+10.3
Light lambs			
Bulgaria	626.1	0.0	+4.3
Greece (27/5)	426.8	-1.3	-0.8
Spain	559.5	-1.6	-2.4
Italy	490.0	-3.5	-21.5
Hungary	508.3	-0.2	+2.1
Portugal	530.0	0.0	+25.6
EU	505.6	-1.8	-4.2

UK Export & Import Statistics

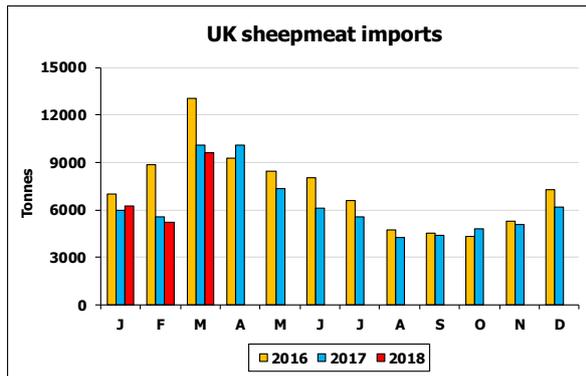


Following a strong start to the year, HMRC trade data for March indicated that UK sheepmeat exports fell back behind year earlier levels, down 4.5% at 7,300t. This left volumes 7.8% short of their March average for 2013-17. However, the total volume exported during Q1 was up by 7.8% on last year at 21,000t. Although exports trailed year earlier levels in March, they rose as a share of UK sheepmeat production, reaching 31.3%. This was 0.3 percentage points higher than in

March 2017 and exceeded the Q1 average of 30.3%.

After opening 2018 on a high, UK sheepmeat exports to the EU dipped back below 2017 levels by 0.6% in March, according to provisional figures. The 7,000t March export volume took the Q1 total to 19,900t, which was 8.7% higher than in the same period of 2017. The largest market – France – has been relatively stable this year and March volumes were down 0.2% on the year at 3,100t. Exports to the second largest market – Germany – fell by 2.5% year-on-year in March to just under 1,300t, but were up by almost a fifth during Q1. Exports to the Netherlands were also down in March, by 18%, but Belgium, Italy and Ireland all showed continued growth.

UK sheepmeat exports to non-EU countries fell by 55% compared with the same month last year to 250t in March. This was a thirteen-month low and meant that Q1 exports fell slightly. Shipments to Hong Kong (HK) fell by 27% year-on-year to 200t, but increased their share of the non-EU total to almost 80% from just under a half in the same month last year. During Q1, non-EU markets accounted for 4.9% of total sheepmeat exports, down from 5.6% in Q1 2017.



Sheepmeat imports to the UK decreased by 4.5% year-on-year to 9,600t in March. This was despite an early Easter meaning that delivery schedules will have moved forwards in 2018, and the March import level was 23% below its 2013-17 average for the month. During Q1 as a whole, imports contracted by 2.5% on a year earlier to 21,100t.

Having fallen by more than a fifth in 2017, and declining further relative to last year in the first

two months of 2018, sheepmeat imports to the UK from New Zealand (NZ) rose by 0.9% in March to 8,100t. This was 83.7% of total imports, up from 79.2% a year before. The average import price continued to exceed year earlier levels in March, running 11.2% higher at £5,570/t. This was 22% above the 2013-17 average import value per tonne for March. In contrast to NZ, imports from Australia continued to run lower than last year in March, falling 60% short of year earlier levels at 500t. Sheepmeat arriving from Australia was dearer than last year by an average of 5.7%. Imports from Ireland rose by 7.6% year-on-year in March and, at 530t, this meant that Ireland was the second largest supplier to the UK.

Global Market Round Up

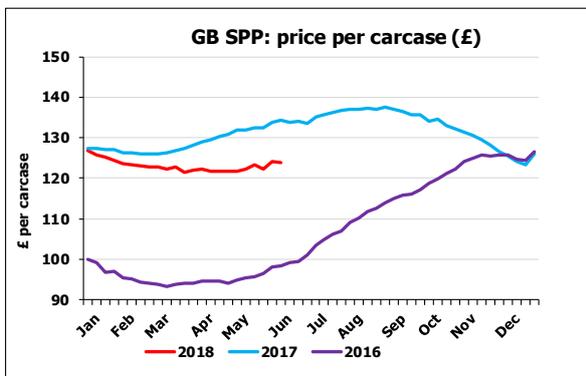
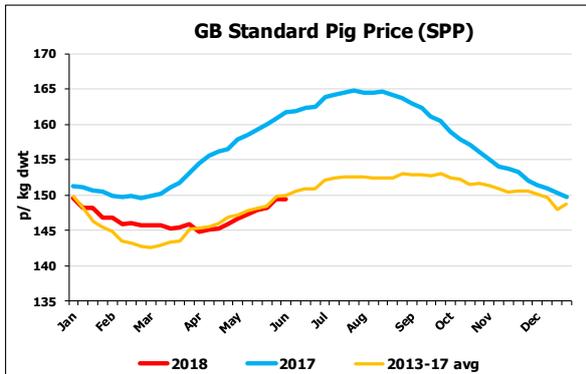
New Zealand lamb slaughterings were much reduced over the first quarter of 2018, a reflection of the dry weather, slow growth rates and earlier marketing in November and December. However, April saw a significant increase in the lamb kill and alongside that a growth in export activity. New Zealand deliveries to the European Union during May increased by 6% year on year having been significantly lower through March and April. Overall supplies to the EU over the January to May period were 1% down on the year and 15% down on the five year average. Meanwhile the North Asian markets, including China, Japan and South Korea has seen significant growth in exports to a point where this region is now a larger market for NZ than Europe in volume terms. Although the average value of shipments to North Asia remains significantly lower than deliveries to Europe the average value of product shipped to North Asia by NZ is increasing quickly.

Although high lamb and wool prices in Australia would be likely to encourage rebuilding of sheep flocks the continued dry weather has led Meat and Livestock Australia to revise upwards their production and export forecast for 2018 to an expectation of a 2% increase in lamb kill. Over the first four months of 2018 Australia has pushed its exports 11% higher with significant growth in lamb sales to the Middle East, China and Japan. Australia has also seen faster growth in sales of chilled lamb than frozen lamb adding extra value to trade.

The arrival of new season lambs on to the Irish market has been much slower than last year with the volume of lambs reaching abattoirs since the beginning of May 7% lower than last year. Ireland also reported lower slaughterings during April after drawing some lambs into March to meet the Easter demand. France had an even more dramatic movement of slaughterings into March to meet the Easter demand with slaughtering increasing 103,000 head only to fall by 122,000 head in April. Over the first four months of 2018 French slaughterings fell 1% reflecting the continuing decline in the French breeding flock. Lower domestic production has contributed to an increase in French sheepmeat imports in each month in the first quarter of 2018. The main beneficiaries have been Zealand who French trade data shows increased deliveries in the first quarter by 8% year on year and the UK who increased deliveries by 4%. Ireland in contrast lost ground delivering 2.5% less sheepmeat.

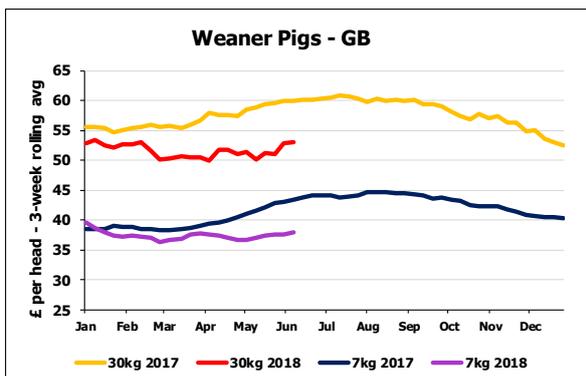
Pigs

Domestic Market



Prime pig prices continued to follow their historic seasonal trend higher through May and into June. This saw the SPP rise by 2.4% from 145.8p/kg in the final week of April to 149.4p/kg at the end of May and beginning of June. Numbers of prime pigs handled by reporting abattoirs have stabilised over this period, averaging around 81,300 head. This was down significantly from an average of 83,800 head during the first third of the year. While numbers have steadied in recent weeks, carcass weights have continued to slide seasonally, placing downwards pressure on pigmeat production volumes.

This slide in carcass weights has seen the average price per carcass trend higher at a slower pace than per kilo prices in recent weeks. At £123.78, the average SPP carcass price was 1.7% higher in the first week of June than it had been at the end of April. It was also 2.4% lower than it had opened the year, compared to a marginal fall in the per kilo price. Compared to early June 2017, the average carcass price was 7.9% lower while the per kilo price was down by 7.6%. Carcass weights averaged 82.8kg in the three weeks to June 9, down from 84.7kg in the first three weeks of 2018 and 83.1kg in the same period of 2017.

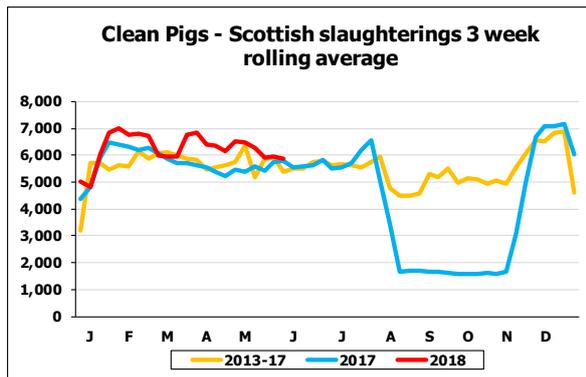


Prices for 30kg weaners have shown considerable volatility in 2018, and in 7 of the first 23 weeks of the year, no price has been quoted. Both of these point to a small sample size. There has been some recent evidence of a lift in the trade, with the weeks to May 19 and June 9 seeing the highest prices of 2018-to-date. At almost £54 a head in early June, 30kg weaners sold for £2.30 above their average for the year-to-date, but this was still a 9.4% shortfall on the same week of 2017.

Week-to-week volatility has also been a feature in the 7kg weaner trade. However, in the three weeks to June 9, prices traded in a narrow range of 37p, averaging £37.95. This was its highest level since the third week of 2018, and up 3.2% on the three weeks to early May. Nevertheless, this still meant that piglets were 12.7% cheaper than last year. As a proportion of the SPP finished carcass price, 7kg weaners traded at 30.8% in the three weeks to early June, while 30kg weaners were at 43.2% of it. Both of these were above their 2018-to-date averages, but remained lower than last year by 1.7 and 1.6 percentage points, respectively.

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Prime pig throughput at Scottish abattoirs exceeded 2017 levels for the fifth time in six months during May. At 29,900 head, throughput was 7.3% above 2017 levels. However, the weekly average kill did slide by 4% from April.

Working-day-adjusted throughput for E&W abattoirs posted a tenth month of year-on-year growth in May, rising 1.2%. Slaughterings rose by 3.6% in NI, as a 0.2%

decrease in home produced pigs was more than offset by a 14.2% increase in imports. Imports made up 28.8% of the slaughter volume, compared to May 2017's 26.1%.

For the sixth consecutive year, the UK average carcase weight for prime pigs fell between April and May. However, the 1.2kg monthly decrease was stronger than the average decline of 0.5kg over the previous five years. This left it marginally below year earlier levels, at 82.3kg.

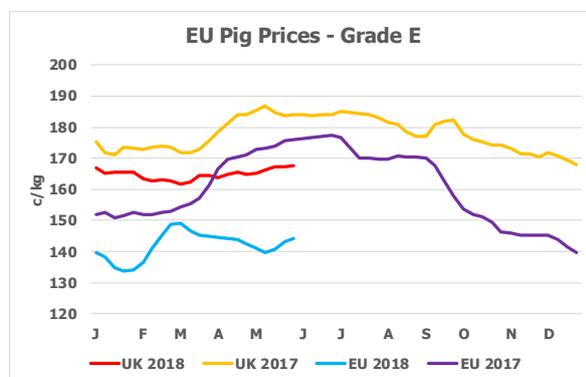
Scottish abattoirs now have capacity to handle the majority of Scottish-born sows being sent for slaughter. During May, just over 1,400 sows were processed, at an average of 280 head per week. In E&W, working-day adjusted sow throughput rose by over a fifth on last year.

Retail Sales

During the twelve weeks to April 22, half of GB households bought pork. For the first time in a year, total spending on pork fell, edging lower, and continued retail price inflation meant that sales volumes declined, sliding by 4.5% year-on-year. The average retail price exceeded year earlier levels by 4.4% at £4.67. A breakdown into product groupings showed that while chops & steaks saw a small lift in retail volumes and leg roasts rose by 18%, there were sharp drops for shoulder and loin roasts.

In terms of processed pork products, the volume of pork sausages and bacon retailed rose by around 1%, while pork-based ready meals were up 4% and pork pies by 7%. However, sliced cooked meats showed a contraction of 3% and sales of sausage rolls fell by 5%.

EU Market Prices



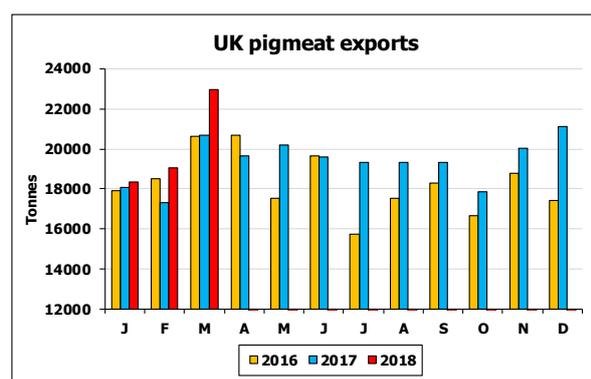
The EU average for grade E pigs fell by around 3% between mid-April and mid-May, slipping to a 13-week low of €1.40/kg (123p/kg dwt). Over the next three weeks, most of this lost ground was regained, with prices averaging €1.44/kg (127p/kg) in the week ending June 3. A weekly price forecast for the key German market points to further upwards pressure on the EU pig market in early June. As May ended and June began, the EU average was 2.2% higher than in the first week of May, but

down 18% on the same week last year. In sterling, the EU average was up 1.4% from the beginning of May, but down by 17.8% year-on-year. The UK average for grade E pigs ended May 1.4% higher than it had begun it, at €1.68/kg. Compared to a year earlier, this was

down by 8.8%. Having peaked at 18.9% in the second week of May, the UK premium over the EU average eased back for three weeks, slipping to a five-week low of 16.2%. This was well above the 4.5% premium in the same week last year.

EU Grade E Pig Prices in euro terms			
	w/e 03/06/18	% change w/4w	% change y/y
Belgium	118.6	-0.3	-27.0
Denmark	127.2	0.0	-29.4
Germany	149.1	+3.8	-19.7
Spain	142.7	+0.9	-15.0
France	130.0	+0.0	-15.0
Netherlands	130.7	+4.6	-20.7
Poland	142.2	+1.1	-20.4
UK	167.7	+1.6	-8.8
EU	144.3	+2.2	-18.0

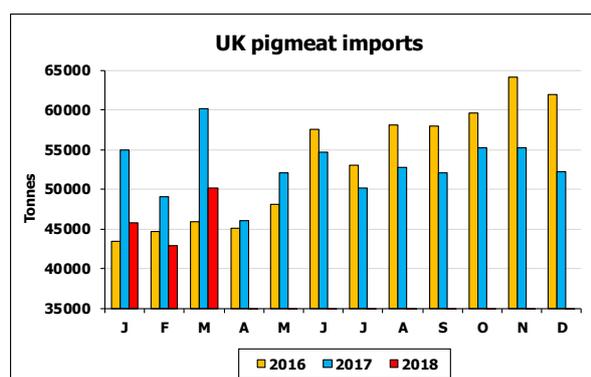
UK Export & Import Statistics



UK pigmeat exports showed further growth in March, climbing by 11.1% on 2017, and by 24.1% on the 2013-17 average for March, to reach 23,000t. Pork shipments rose by 12.1% to 21,400t in March, but this was partially offset by a 0.9% fall in exports of bacon & ham, which slipped below 1,600t. During Q1, total pigmeat exports grew by 7.6% to 60,400t, underpinned by pork shipments, which rose 8.3% to 55,800t, while bacon & ham exports edged 0.8% higher to 4,600t.

Exports are estimated to have accounted for 31.1% of UK pigmeat production in March, up by 5.8 percentage points on the month and 4.7 points on the year. Their Q1 share of production lifted to a smaller extent, from 25.2% last year to 26.3% this year.

Exports to the UK's largest overseas market - China/HK – reached a seven-month high in March and were up 4.2% year-on-year at 4,950t. This was 23.1% of total exports. Exports to Germany and the Netherlands also increased, but sales to Ireland and Denmark slipped back. Germany and Ireland were the second and third largest markets, with exports of 3,200t and 3,100t respectively.



Imports of pigmeat to the UK remained significantly lower than a year earlier in March, falling by 15% to 51,100t. This was down fractionally on their 2013-17 average. March shipments took the Q1 total to 141,050t; an annual decline of 14.1%. Both pork and bacon & ham showed significant declines in March as well as in Q1 as a whole. For the former, the March total was 13.8% lower than last year at 34,700t, while imports were 12.2% lower in

Q1 at 95,050t. Meanwhile, for the latter, March deliveries were down 17.7% at 16,400t, taking the Q1 total to 46,000t; a 17.8% shortfall on last year.

With 31% of imports in the third month of 2018, Denmark remained the UK's number one pork supplier. However, its shipments of 10,800t trailed year earlier levels by 38%. By contrast, the volume arriving from the second and third largest suppliers picked up, with arrivals from Germany rising 22.2% to 7,400t while the increase of 3.8% from the Netherlands took shipments to 4,950t. There was also import growth from Belgium, Ireland and Poland, but trade with Spain and France cooled.

The Netherlands supplied 52.6% of UK cured pigmeat imports during March, with deliveries of 8,600t were 4.3% higher than year earlier levels. By contrast, there were significant year-on-year shortfalls from Germany and Denmark with volumes down by a respective 30% and 41% at 1,800t and 4,400t.

Feed Market

Feed wheat prices in North East Scotland rose further in late May and early June, before easing back into mid-June. On June 13, feed wheat traded at £160/t while feed barley was valued at £140/t. This left the former 4% higher on the month and 14% higher on the year, while the latter was flat on the month and up 9.5% year-on-year. Expectations of a significantly smaller grain crop in the Black Sea region due to drought have boosted global grain prices in recent weeks.

Soyameal prices have fallen back sharply from their recent highs. Indeed, prices have dropped back to around the £350/t mark in early-to-mid-June from £390 in the first week of May, leaving them at their lowest levels in four months. While a poor harvest in Argentina and an increase in the US dollar have been placing upwards pressure on prices, this has been more than offset by rising trade tensions between the US and China, its largest soyabean and soyameal export market, which culminated in the announcement by Chinese authorities that a proposed 25% tariff on imports of US soyabeans will enter force in July. Prior to this announcement, the net balance between US futures traders expecting a rising market and those expecting a falling one had already halved since the beginning of May.

Global Market Round Up

EU Commission data for the first quarter of 2018 showed a small 1.8% year-on-year decrease in EU pork exports to 996,600t in carcase weight terms. In the three-month period the largest market – China/Hong Kong – contracted by 14.1% to 428,550t. However, progress was made in Japan, Korea, the US and the Philippines. Collectively, deliveries to these markets advanced by 17.6% to reach 322,950t and a 32.4% share of export volumes, up from 27% in Q1 2017. Exports to other markets rose by 1.4% to 245,100t.

Falling EU exports to China reflect a well-supplied Chinese market, which has led to a sharp downturn in wholesale pork prices this year. Price data from China's Ministry of Agriculture shows that pork traded at 16.53 yuan/kg (£1.94/kg) on the wholesale market in the second week of June. Though up 4.3% on its mid-May low, it was still 21.5% below its pre-Chinese New Year peak at the end of January and 16.7% below its year earlier level. Furthermore, pork was almost 40% cheaper than in June 2016. With beef and lamb wholesale prices proving much more stable, pork has become even more price competitive, trading at only 29.4% of the beef price and 30.3% of the sheepmeat price in mid-June. At pork's late January peak, these proportions had been 37.3% and 39.3%, respectively, and they had stood at

37.2% and 43% in mid-June 2017. Although pork's premium over chicken has crept up to 14% from around 10% in May, it had been 39% in late January and 54.5% a year ago.

Brazil's pig abattoirs saw further production growth during Q1 2018. Slaughter numbers rose by 2.3% year-on-year to 10.72m head and, with carcass weights lifting 3.5kg (4%) to 89.4kg, total pigmeat production showed an expansion of 6.4% to 957,900t. Compared to their 2013-17 average for Q1, these were increases of 12.9% for slaughterings, 3.6% for carcass weights, and 17% for production. Processing sector consolidation continued with the number of abattoirs processing pigs falling by another 5.7% to 646. This compares with 813 in Q1 2013. The average abattoir slaughtered 16,600 pigs in Q1 2018, up from 10,800 in 2013.

According to the USDA, pig slaughter rose by 3.9% year-on-year in the US in the first third of 2018 to reach 41.07m head. Average carcass weights increased by 0.7kg (0.7%) to 97.1kg, pushing pigmeat production 4.6% higher to 3.99m tonnes. Export markets have absorbed some of this increase, with US Meat Export Federation data for the January to April period reporting an 8.5% increase over 2017 to 694,400t. Despite a well-supplied global market, the US managed to increase its exports as a proportion of production by 0.6 percentage points on the year to 17.4%. Of the main markets, the US made further inroads to Mexico, Korea, Colombia and Australia, but shipments to Japan, China/Hong Kong and Canada slipped back.

Mexico was the largest export market for the US in the first third of 2018, taking delivery of 233,500t – a fractionally smaller 33.6% of the total than twelve months before. However, in retaliation to the USA's imposition of steel and aluminium tariffs, Mexico placed a temporary 10% tariff on fresh pork imports from the US on June 5, which will double to 20% after a month. In addition, some processed pork categories face new tariffs, including pork sausages (15%) and ham (20%). To help ease the potential impact on Mexican consumers, a 350,000t quota has been opened for the remainder of this year. While importers will have to pay the full tariff on any product arriving from the US under this quota, including product originating in other countries, pork being delivered directly from all other countries will be duty-free. 3% of this quota has been reserved for countries that have not shipped pork to Mexico in the past. Given that the US has supplied 90-95% of Mexico's imports within the affected pigmeat product categories over the past three years, pork is likely to become more expensive in Mexico, unless Mexican importers absorb the tariff and/or can diversify their supply network. Given this context, the recent updating of the EU: Mexico trade agreement, which made it easier for EU meat processors to gain approval to export to Mexico, by changing from a requirement for individual plant audits to the recognition of a Member State's food safety system, may offer a potential opportunity for EU pigmeat to gain a foothold in the Mexican market.

Iain Macdonald and Stuart Ashworth – June 2018