



Monthly Market Report

March 2017

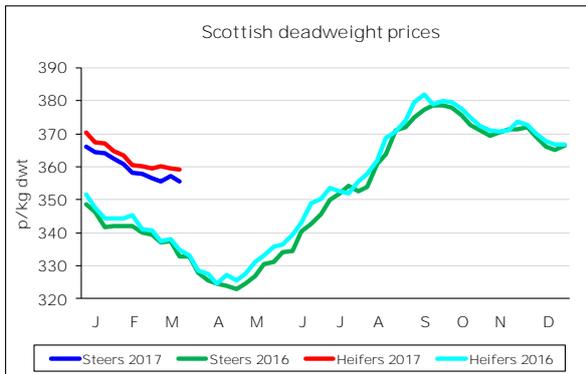
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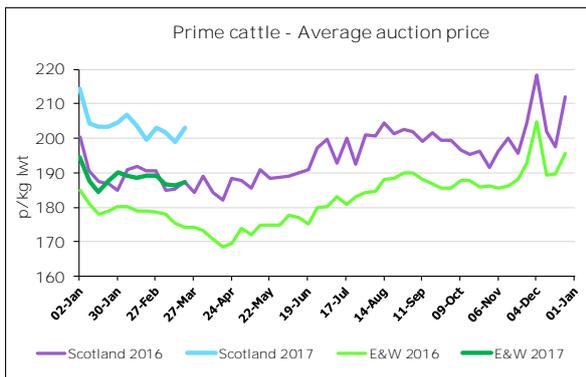
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Cattle

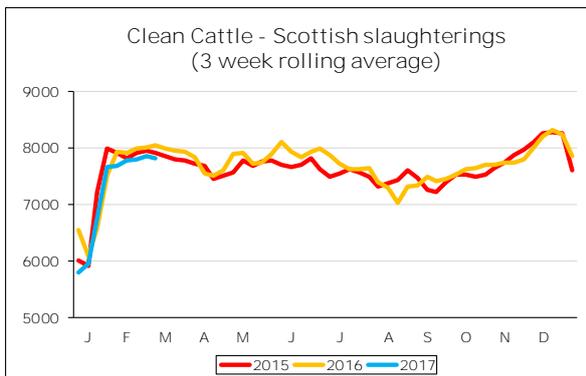
Prices and Supplies



Following the seasonal downward pressure on prime cattle prices during January and early February, the market has been more stable in the month to mid-March. From 370-371p/kg dwt around the turn of the year, the average R4L grade steer price at reporting Scottish abattoirs fell to 363p/kg in the week ending February 18. Since then it has traded in a narrow band between 362p/kg and 364p/kg. One feature of the market in recent weeks is that R4L steers have been trading at a premium to -U4L grade steers, averaging 3p/kg higher over a seven-week period. This may reflect an increased rate of carcase weight penalties compared to late 2016 given that carcase weights tend to run close to their annual peak during the spring. In the four weeks to March 18, prime cattle numbers were up slightly on the first few weeks of the year but trailed the same period last year by 0.5% at reporting abattoirs. Meanwhile, prices averaged 5-7% higher.



Similar to deadweight prices, the prime cattle trade at Scottish auctions has lacked direction in recent weeks. Between the weeks ending February 15 and March 22, the prime cattle average fluctuated between 199p/kg lwt and 204p/kg lwt. However, this was below the levels seen at the beginning of 2017 when prime cattle had been averaging 203-207p/kg. Meanwhile, weekly marketings dipped back slightly at the end of February but have since recovered. Compared to March 2016, prices have been averaging 7-9% higher and volumes have been down by a fifth.



Defra estimates that 96,600 prime cattle were slaughtered by abattoirs in England and Wales (E&W) during February. After accounting for one fewer day than in February 2016, this was 1.5% above year earlier levels. On a daily average basis, throughput fell 6% from January. Scottish abattoirs slaughtered 31,350 prime cattle during the four weeks to February 25. Although the weekly average kill was 2.5% higher than in the first three full weeks of 2017, slaughterings remained below 2016 levels, down 2.5%. In Northern Ireland (NI), slaughterings totalled 26,600 head in the four weeks to February 25. This was 2% higher than in the corresponding period last year, but average weekly throughput was 6.5% lower than in the first three full weeks of January.

Whereas Scottish abattoirs slaughtered 2% more steers than twelve months before in February, the heifer and young bull kills fell by 4.5% and 25% respectively. These changes

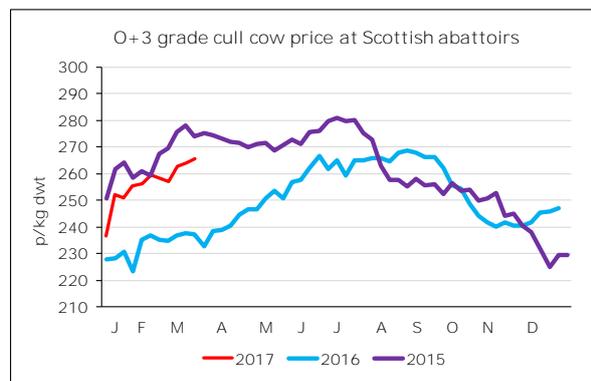
resulted in steers accounting for 55% of the monthly total compared with 52.5% a year earlier. Meanwhile, the heifer and young bull shares fell by around one percentage point to a respective 41% and 4% of the monthly total.

The average prime cattle carcass weight at Scottish abattoirs during February was up by 2.8kg on January but down by 2kg year-on-year at 371.4kg. Steer carcasses showed the highest year-on-year rate of decline, of 4.6kg (1.2%), sliding to 389.5kg. Meanwhile, the average heifer carcass weighed 0.9kg (0.3%) lighter at 349.2kg and the average young bull carcass was 2.2kg (0.6%) lighter at 342.4kg.

The combination of a 2.5% decline in prime cattle slaughterings plus a slightly lighter average carcass weight resulted in prime beef production at Scottish abattoirs falling nearly 3% short of year earlier levels in February.

At £1,395, Scottish abattoirs paid 4% more for the average steer carcass during February 2017 than twelve months before.

The cull cow trade has firmed through the first quarter of 2017. In addition to strong demand



for cow beef, the market has been underpinned by a decline in numbers. As a result, the O+3 grade was 18.5p/kg dwt (7.5%) higher in the week ending March 18 than it had been in the final week of 2016. At 266p/kg dwt, the O+3 traded at a 25-week high and up 12% year-on-year. The auction trade in cull cows has also firmed through Q1 2017, with the three-week rolling average reaching 121p/kg lwt on March 22. As well as climbing 5p on the month and 16p (13%) on the year, this was its highest level since the

beginning of July 2015. In the third week of March, the daily average for beef cows was in the 125-132p/kg range, with dairy cows trading at 95-111p/kg.

Mature cattle slaughter remained considerably higher than 12 months before in February at Scottish abattoirs. Numbers rose by a fifth to 6,200 head. However, throughput did slide as the month progressed and the weekly average for the month was 5% lower than in the first three full weeks of the year. Defra slaughter statistics for E&W suggest that cow slaughter fell sharply on the month, pushing it below year earlier levels, by 5.5%, for only the second time in the past year. According to DAERA, the weekly adult cattle kill in NI fell by 4% from the first three full weeks of January, but it was still 12.5% above 2016 levels.

Cow carcass weights at Scottish abattoirs trailed year earlier levels for the 22nd consecutive month in February. At 347.5kg, they averaged 4.3kg (1.2%) lighter than a year earlier.

In the run up to the main spring store cattle sales, store prices firmed with the three-week rolling average price for a 6-12 month steer reaching £928 on March 4. Since then, prices have dipped back, with the average sliding to £917 in the week ending March 18. While it was 6% higher than at the beginning of February, the three-week average was up by less than 1% year-on-year. The average price for a 12-18 month old steer has been more volatile and stood at £965 in the three weeks to March 18. Although this was a 2017-low, it was marginally higher than 12 months before.

Kantar Worldpanel data for GB household purchases indicates that, following a strong end to 2016, beef demand held firm in the early weeks of 2017. Consequently, purchased volumes rose by 3% year-on-year in the 12 weeks to January 29. Once again this was supported by lower prices, with the average price down by around 2.5% on a year earlier. The one cut to disappoint was roasts, down 4.5%, whereas stewing beef, steaks and mince recorded annual increases of 3.5%, 10.5% and 5.5%, respectively. It is estimated that 74% of GB households bought beef during the period.

On the manufactured beef product side of the market, the Kantar figures point to a marginal increase in sales of burgers and more significant gains for chilled beef-based ready meals, by 7%, and steak pies, 4%. By contrast, there were 6% declines for frozen ready meals and pasties, and a 2.5% fall in sales of frozen steak pies.



In euro terms, the average R3 grade steer price in the Irish Republic was relatively stable from the second half of January until **the opening week of March, trading at €3.71-€3.72/kg dwt (321-322p/kg)**. However, the average edged up in the second week of **March before rising to €3.76/kg (328p/kg)** in the week ending March 19. In euro, the price was last higher in the opening week of September 2016; in sterling, it was last higher back in late October 2013. Compared to mid-

March 2016, the price was 10% higher in sterling but 1% lower in euro. Relative to the Scottish price, it was 10% lower; the smallest gap since July of last year. The Scottish premium over Ireland had been running at around 15% in January and February. A weakening of sterling against the euro in early March has contributed to this narrowing spread as the market has had little time to adjust.

The EU average price for an R3 grade young bull fell by 1% in the month to mid-March, easing **back to €3.74/kg dwt (326p/kg)**. Most countries saw price movements of 1% or less, with Belgium, Germany, Spain, France and Sweden on the downside, but Ireland and Holland showing small gains. Elsewhere, the Italian average rose by 2.5%, but the Polish average fell by 2.5% and the UK average dipped by 4% in euro terms.

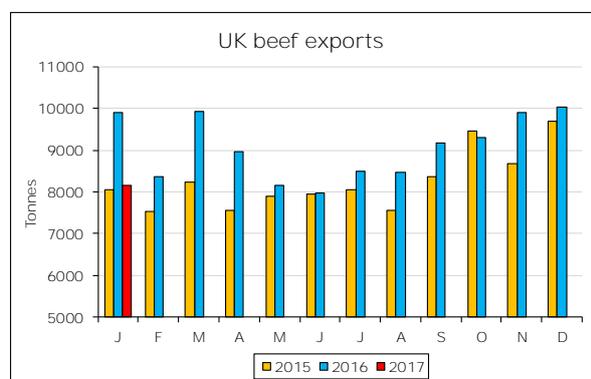
In the week ending March 19, the EU average for an R3 young bull was fractionally higher than in the same week last year. French and Irish prices were marginally higher and there were increases of 1-2% for Germany, Poland and Sweden. Meanwhile, there were small 1% declines in Spain and Italy. However, there were more significant euro terms declines in the UK (-4%) and Holland (-10%).

O3 grade cow prices in the EU rose by an average of nearly 1.5% in the four weeks to March 19. At **€2.81/kg dwt (244p/kg)**, prices were at their highest since the opening week of November 2015. Small increases of 1-2% were common, including in Germany, France, Poland and Ireland, while the Italian average edged higher. Spanish prices rose by 5%. However, the UK average fell marginally in euro terms over the period, due to currency movements, and there were more significant declines of 2% in Sweden and 4.5% in Holland.

The rising trend in EU cow prices since the turn of the year has kept them in front of year earlier levels, on average. However, there has been a wide range in price movements around the EU average of 2%. For example, the Dutch price was 11% below its mid-March 2016

level, whereas Germany and Spain reported 6% increases. Elsewhere, there were euro terms gains of 1.5% in France and 3-4% for producers in the UK, Sweden and Holland. Irish prices were down a fraction.

Regional price comparison			€1 = £0.871
w/e 19/03/17	Steer R3 (p/kg dwt)	Heifer R3 (p/kg dwt)	Cow O3 (p/kg dwt)
Scotland	359.7	362.1	256.9
E & W North	349.3	351.1	254.3
E & W Central	352.3	354.9	254.9
E & W South	358.2	358.6	250.3
NI	350.5	350.2	254.5
RoI	327.7	337.8	267.6
France	323.1	342.3	273.5
Germany	378.9	314.4	252.2
Holland	n/a	206.7	210.8
Spain	n/a	342.3	199.7
Poland	n/a	270.1	228.5
Italy	n/a	360.9	221.0
Sweden	430.7	407.2	375.0
EU28	340.6	333.1	244.6
USA	367.6 (steer)	368.0 (heifer)	241.9 (Cutter – 90% lean & >225kg)
Australia (22/03/17)	378.3 (EYCI – steers & heifers)		277.0 (medium cow)



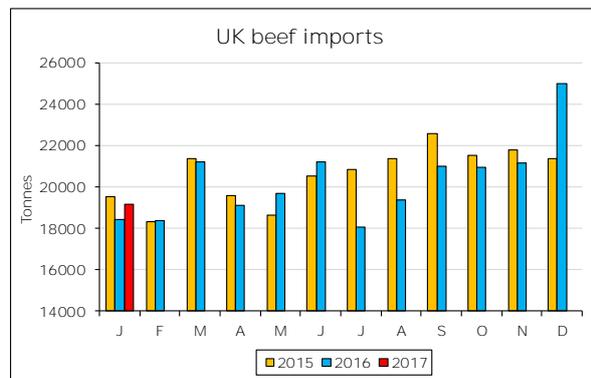
HMRC trade data shows that the UK exported 108,700t of beef during 2016. This was a year-on-year increase of nearly 10% and worked out at 12% of abattoir production. Moving into 2017, 8,150t of beef was exported during January. Although 17.5% lower than in the opening month of 2016, this was a fraction higher than two years ago. Relative to estimated UK beef production in January, export volumes were equivalent to around 10.5%.

The UK's beef exports to the EU rose by 6% in 2016 to 96,700t. However, shipments fell by more than a quarter year-on-year in January to just short of 7,000t. This was largely driven by a 51% decline in exports to the Irish Republic, with volumes slipping back to 2,350t. Given the magnitude of this decline, it may be revised considerably higher in the coming months. In contrast to the initial figures for Ireland, sales to Holland rose by 3% to 2,100t. Of the smaller EU markets, trade with Belgium, France, Denmark, Germany, Italy and Poland contracted, but shipments to Spain and Sweden increased sharply.

Non-EU export markets showed considerable growth in 2016, rising by nearly 48% year-on-year to 11,900t. This was equal to 11% of annual beef exports, up from 8% in 2015. January 2017 saw this trend continue as shipments rose by 139% to 1,150t and 14% of the provisional monthly total. China/Hong Kong accounted for 40% of the January non-EU total as shipments rose five-fold on the year to 459t. French Polynesia was another significant market, taking

delivery of 224t. Closer to home, shipments to the high value but low volume Swiss market were down slightly on January 2016 at 44t.

Despite a firm start to 2016 and a very strong December, the UK imported less beef in 2016 than in the previous year with volumes down 1.5% at 243,550t; a three-year low. Whereas fresh beef imports declined by 6% to 176,300t, deliveries of frozen beef rose by 10% to 67,250t.



Beef imports during the opening month of 2017 exceeded year earlier levels by 4% with the UK bringing in 19,200t. Fresh beef accounted for 73.5% of the monthly total, rising by 7.5% year-on-year to 14,100t. This increase was partially offset by a 4% fall in deliveries of frozen product, to 5,100t.

Beef imports to the UK from the EU were down by only 0.1% in 2016 at 222,200t. As a result, they increased their share of the total to 91%

from 90% in 2015.

In January 2017, the volume of beef imported to the UK from the EU rose by 8% to 17,900t and a 93.5% share of the monthly total. This was three percentage points higher than in January 2016. Imports from Ireland increased by 9.5% year-on-year in January to 13,800t. This pushed up the Irish share of the total by four percentage points to 72%. Imports from Holland, Poland, Denmark and Spain also increased, but shipments from Germany, France, Belgium and Italy contracted.

At 21,350t in 2016, the UK bought 14% less beef than in the previous year from non-EU countries. Imports from South America rose slightly as a decline from Uruguay failed to fully offset a small increase from Brazil. Imports from Africa and Oceania fell sharply. Moving into 2017, the overall declines continued with volumes down 31% on a year earlier in January at 1,245t. Most notably, Brazilian shipments fell by almost 60% to 213t, but there were also large declines from Uruguay, Botswana, Australia and New Zealand. Namibia was one exception, rising 10%.

News Round Up

After showing a small increase in the December 2015 census, the Scottish beef breeding herd fell back in December 2016. Numbers fell nearly 1% to 420,900 head. However, there was a larger 1.5% decline in the dairy herd, to 174,700 head, resulting in beef cows accounting for a slightly increased share of the total breeding herd in Scotland (70.7%). Looking at males and non-breeding females over 24 months, numbers fell by 3.5% and 4.5% respectively for dairy females and dairy males, but rose by 1% for beef females. In the 12 to 24 month age group, beef females contracted by 3%, but there was a 4.5% increase on the dairy side. The number of the males in this age group fell by 3.5%. Moving on to cattle aged less than a year old, beef females rose by 1% but dairy females fell by almost 5%, as a challenging dairy market led to a sharp reduction in registrations of dairy sired calves during 2016. The total number of males aged under 12 months declined by 1.5%. Given the evolution of calf registrations, it seems likely that this decline came courtesy of a reduction in dairy sired males more than offsetting a small increase in beef sired males.

In the five weeks to March 19, Irish export abattoirs slaughtered 129,100 prime cattle. Relative to the same period last year this was an increase of 2.5% and followed a sluggish start to the year where numbers had declined by 4% year-on-year in the opening six weeks. Like in Scotland, the data for the most recent five weeks showed a shift from young bulls to steers with throughput of the former down 9% at 20,950 head whereas the latter rose by 7% to 60,850 head. However, in contrast to Scotland, heifer numbers increased by 2.5% to 47,300 head. Consequently, the proportion of the kill that were steers rose from 45% in the same period of 2016 to 47% this year, but the young bull share fell by more than two percentage points to 16%. Meanwhile, heifers stabilised at around 36.5% of the prime kill.

After a slow start to the year, Irish live export activity picked up in February and March. During the first five weeks of 2017, fewer than 4,200 cattle were exported live, down 31.5% from the same period of 2016. However, over the following five weeks, exports totalled 37,300 head. Relative to a year earlier, this was an increase of just over 50%. 82.5% of these animals were store calves, up from 76% in the same period of 2016.

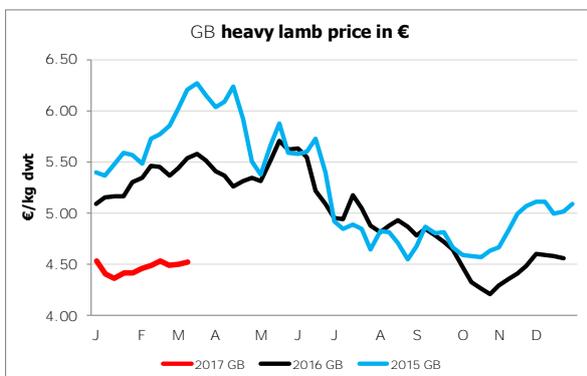
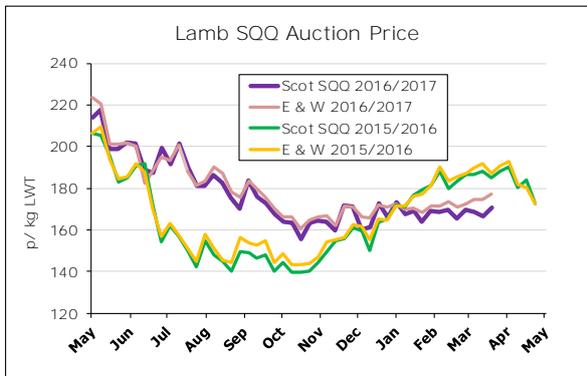
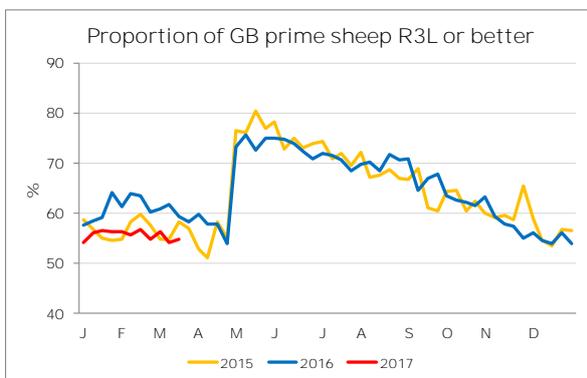
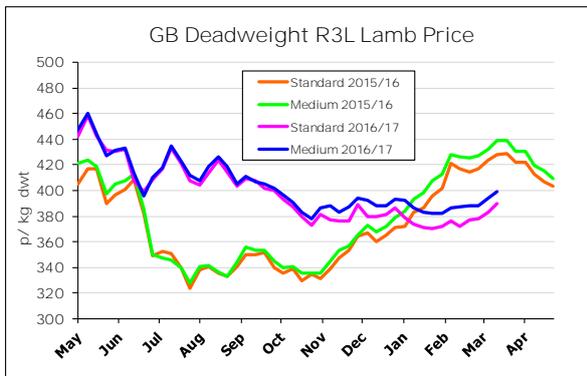
On March 2, the Mexican Government implemented a 200,000t beef TRQ at zero duty. This is a unilateral TRQ, open to suppliers from all countries that do not currently have tariff-free access to the Mexican market, on a first-come-first-served basis until the year-end. However, there is an upper bound on the volume that can be delivered by any single supplier, set at 30,000t. Prior to this TRQ, import tariffs were charged at 20% for fresh beef and 25% for frozen product. It should be noted that under the NAFTA agreement, US and Canadian beef has tariff-free access to Mexico and vice versa. The new policy has been introduced because tight supplies in recent years have resulted in a sharp rise in retail prices. The average price paid by Mexican consumers is reported to have risen by 55% in the five years to December 2016, influenced by falling domestic production, higher beef prices in the US and a weaker Mexican peso. These factors have resulted in higher exports to the US but lower imports across the border. February 2017 data points to a 13% year-on-year increase in **Mexico's** total export volumes, to 34,200t, while imports decreased by 6.5% to 4,900t. Although the USDA estimates that Mexican beef production edged lower in 2016, it has forecast a slight recovery for this year.

During Q4 2016, 7.41m cattle were processed by Brazilian abattoirs according to figures from **Brazil's statistical agency** IBGE. Compared to the same period of 2015, this was a decline of more than 3.5%. Furthermore, it was the lowest Q4 total in five years and down by 16.5% from the Q4 2013 peak. The average carcass weight was down by nearly 1kg (0.4%) year-on-year at 249.8kg. Consequently, total beef production fell by 4% on a year earlier to 1.85m tonnes. During 2016 as a whole, Brazilian abattoirs killed 29.669m cattle, producing 7.35m tonnes of beef – a similar volume to the EU28's **7.784m tonnes**.

Eurostat data for 2016 shows that total beef imports to the EU rose by 0.5% to 203,850t. Brazil supplied 32% of this total, with its shipments to the EU increasing by 0.7% to 65,700t. The average value per tonne of all beef imports was down by 3.5% year-on-year at **€8,590/t** (£7,410/t), with deliveries from Brazil becoming 5% cheaper on average, at **€6,850/t** (£5,910/t). 34% of all imports were of fresh beef, but from Brazil, the majority (60%) was frozen product, helping explain the difference in average value. As a share of estimated beef supplies on the EU market in 2016, imports from Brazil were equivalent to just 0.8%. Even after converting this volume into carcass weight equivalent, at 98,600t, imports from Brazil would have accounted for only around 1.2% of EU beef supply in 2016.

Sheep

Prices and Supplies



At reporting GB abattoirs, the average SQQ¹ prime hogg price edged lower during the first five weeks of 2017, falling from 389p/kg dwt at the end of 2016 to a low point of 378p/kg at the beginning of February. Thereafter it has followed an upwards trend, advancing to 394p/kg in the third week of March. Although a 23-week high, it remained 9% lower than last year. R3L grade medium hoggs averaged 10.5p (3%) higher than standard R3L hoggs during the four weeks ending March 18, and traded at 399p/kg in the third week of March.

Carcase quality has been trailing 2016 levels during Q1 2017. In the four weeks to March 18, 55% of hoggs graded at R3L or better, down from 60.5% in the corresponding period last year.

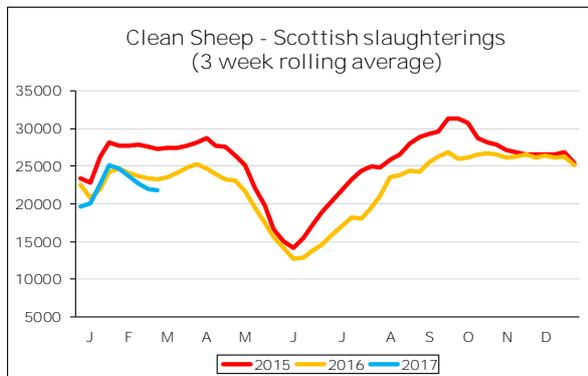
Prime sheep prices have broadly lacked direction at Scottish auctions since the beginning of 2017. Indeed, the average SQQ hogg price was been between 166p/kg lwt and 170p/kg lwt during nine of the first ten full weeks of the year, before edging up to 171p/kg in the third week of March. Despite lifting, prices were still 8% short of their year earlier level. One feature of the market in recent weeks has been a widening of the pricing premium in England & Wales over Scotland. It averaged 7p/kg in the first three weeks of March after running at 2-4p for much of January and February.

While farmgate prices may have been stable in sterling terms for most of Q1 2017, they have been underpinned by the relative weakness of sterling. Although farmgate values have been down by around 10% on last year, they have been running 16-18% below 2016 levels when converted into euro. Therefore, without the weakening of sterling in 2016, prices may have come under even greater pressure this year. A weak sterling

has also pushed up the price of imports from New Zealand.

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

GB auction market data for February indicates that despite an increased carryover of hogs into 2017, 4% fewer prime sheep were traded than during the same period a year earlier. In the four weeks to March 1, 410,800 lambs and hogs were sold. At Scottish auctions, numbers fell by 9.5% to 68,300 head. 66% of the prime sheep sold at GB auctions were within the 25.5-45.5kg lwt SQQ range during February, down from 69% a year earlier. In Scotland, the proportion fell even more significantly, from 72% down to 67.5%.



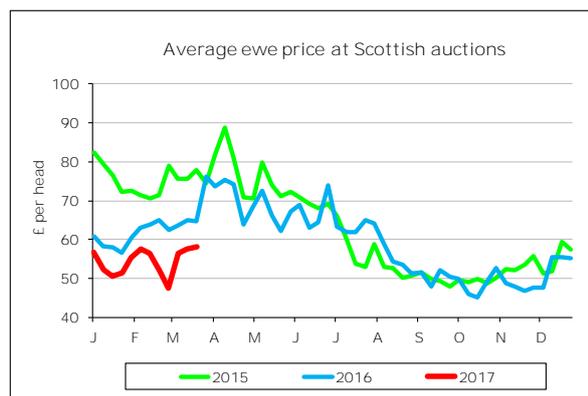
Having trailed year earlier levels by 4% in January, prime sheep throughput at Scottish abattoirs fell by a similar degree in February, to 89,500. At 22,400 head, the weekly kill averaged 1,000 head lower year-on-year.

However, in terms of prime sheepmeat production volumes, the fall in throughput was partially mitigated by a 0.5kg (2%) rise in the average carcass weight to 20.7kg. Production was down by just over 2% at 1,850t.

Defra slaughter statistics for February show a total hogg slaughter of 766,500 head at E&W abattoirs. Although when converted into a daily average kill this was a 10-month low, it exceeded its year earlier level by 8%; the fourth month in five to show an increase. DAERA reported that 29,600 hogs were slaughtered at NI abattoirs during February. Though down 2% on January, this was 53% higher than in February 2016. As well as an increased carryover of hogs, this spike reflects a fall in live exports to the Irish Republic.

Defra's estimate of the average prime sheep carcass weight at UK abattoirs picked up seasonally in February to reach a ten-month high of 19.9kg. This was above its year earlier level for a third month, by 2%, but was equal to its February 2015 average.

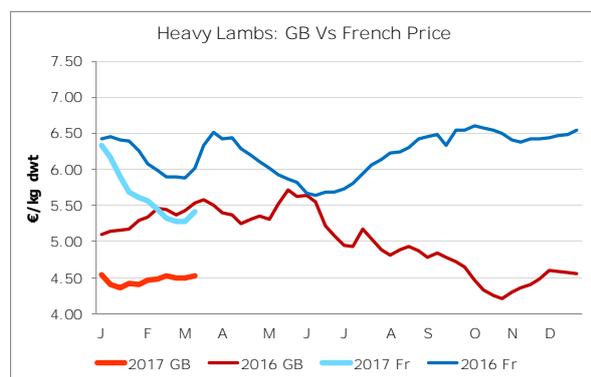
During February, daily average mature sheep throughput at E&W abattoirs was 2% lower on the month and 9% lower on the year.



The average cull ewe price at Scottish auctions initially followed its seasonal trend in 2017. However, the market cooled significantly in late February, before making a recovery in March. In the third week of March, prices averaged £58 a head. This was slightly above the previous 2017-high reached in the first week of February. Nevertheless, the cull ewe market still cleared 10% below 2016 levels.

GB households are estimated to have bought 9% less lamb during the 12 weeks to January 29 than in the corresponding period 12 months before. Volumes continued to decline in the early weeks of 2017 following a sharp decline in late 2016. Given falling retail prices for competing proteins, a higher retail price for lamb by around 2% may help explain the decline in sales. 34% of households bought lamb over the period. Whereas lamb mince showed a 5% increase, other cuts fell sharply with chops/steaks down 9%, leg roasts down 10%, and shoulder roasts down 16%. However, ready meals containing lamb have shown increasing

popularity over the past 12 months and were up by 15.5% in the 12 weeks to late January.



The EU average for heavy lambs² was 0.4% higher than a month earlier in the week ending March 19, at **€4.56/kg dwt** (389p/kg). This indicates that the market has stabilised following a sharp fall in prices in many countries in the early weeks of 2017. Indeed, the rate of month-on-month decline in France and Spain slowed to 0.5% and 1.5% respectively in the third week of March. The third week of March saw a notable turn in the French market, with prices rising by 2.5%.

This has been linked to the arrival of the peak period for lamb consumption. Meanwhile, Belgian prices were down slightly on the month, having been more stable at the beginning of 2017, while the German market flatlined. Elsewhere, euro terms prices tended to lift from February levels. This included GB (1%); NI and Holland (1.5%); and the Irish Republic and Romania (4%). There was an even stronger increase of nearly 8% in Sweden.

Despite edging higher in recent weeks, the EU heavy lamb average remained 14% lower than last year in mid-March. GB led the euro terms declines, at 19%, with Belgium down 18%. Greater than average declines have also been seen in NI (-15.5%) and France (-14.5%). Though below average, there were still significant annual declines of 12.5% in the Irish Republic, 8.5% in Spain, 6.5% in Germany and 5% in Sweden. Romania was the exception; up 2% year-on-year.

Light lamb³ prices fell sharply at the beginning of 2017 in many of the reporting EU Member States. The declines continued in the month to mid-March with the EU average down by 6.5% at **€4.81/kg dwt** (419p/kg). However, the main driver of the continuing decline in the overall average was the main light lamb producing country, Spain. Prices there were 14.5% lower **on the month at €5.18/kg (451p/kg)**. Italian farmgate prices were also lower on the month, but by only 1%. By contrast, the Greek and Portuguese markets were steady and prices rose by 6% in Croatia and Hungary.

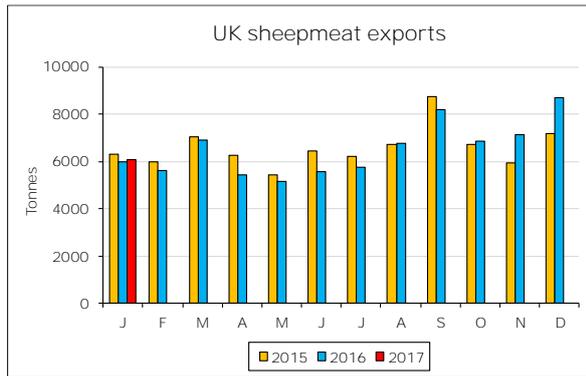
In the week ending March 19, the EU light lamb average trailed its year earlier level by 17%. The heaviest declines, of nearly one-quarter, were in Italy and Spain, but there was also a sharp fall of 15% in Hungary. Lower rates of decline were seen in Greece and Portugal, but they were still significant at 8-9%. Croatia was the main exception as prices rose by 17.5%.

A strong final quarter of 2016 for UK sheepmeat exports was insufficient to offset declines earlier in the year, resulting in an overall 1% decline to 78,000t. This was the third year of decline, with shipments at their lowest since 2007. As a share of abattoir output, exports were equivalent to 27%.

The increased exports of Q4 2016 continued into 2017 with provisional figures for January indicating a rise of 2% to 6,100t. This was an estimated 26.5% of UK abattoir output.

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

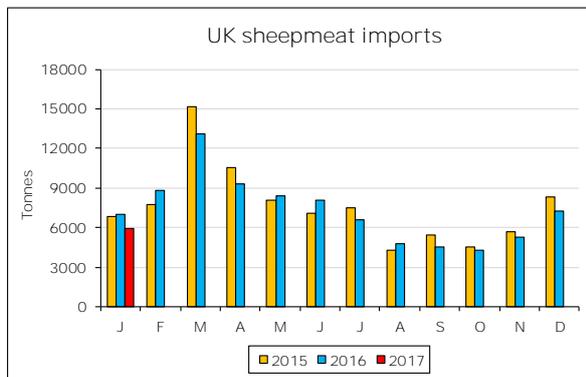
³ The EU defines a light lamb as a carcass weight of less than 13kg



UK sheepmeat exports to the EU fell fractionally in 2016 to 74,750t. However, this raised their share of total exports by a percentage point to 96%. Trade with France contracted by 5% to 40,450t and a share of 52% compared with 54% in 2015. Elsewhere, sales to Belgium, Germany, Ireland and Holland rose, but sales to Italy declined.

Moving into 2017, January export volumes to the EU were 2% above year earlier levels at 5,750t. Although provisional estimates put shipments to France down 13% at 3,050t, this was more than offset by sharp increases in trade with Germany, Belgium, Holland and Ireland.

UK sheepmeat exports to non-EU countries contracted by a fifth in 2016 to 3,300t. However, they began 2017 on the increase, rising 1% in January to 335t. Hong Kong remained the largest market, accounting for just under half of monthly shipments. However, this was an annual decline of 41%.



On the import side, the UK purchased 4.5% less sheepmeat during 2016 than in the previous year. Volumes slipped back to a four-year low of 87,450t. 76% of this total (66,850t) arrived from New Zealand (NZ). Although this was 2.5% below 2015 levels, the NZ share rose by a percentage point. Annual deliveries from Australia fell by 18% to 11,400t, working out at 13% of total imports.

The UK imported 5,950t of sheepmeat during the opening month of 2017. This was down by 14.5% from a year earlier. Tight supply in **NZ was a significant factor, limiting imports from the UK's largest market to 4,100t**. This was the lowest January volume of the century and meant that the NZ share slipped to 69% from 84% a year earlier. The average cost of imports from NZ rose by 17.5% year-on-year to £4,460/t. However, this was cheaper than two years ago. Meanwhile, shipments from Australia expanded by 151% over January 2016 levels, reaching 1,200t. Though it should be noted that this was lower than in either January 2014 or 2015. The average price per tonne delivered from Australia rose by 10% year-on-year to 4,430/t.

In terms of the smaller suppliers, sheepmeat imports from Ireland rose by 39% to a three-year high for January of 415t. France also delivered slightly more than in the opening month of 2016, but less arrived from Spain, Holland, Uruguay and Iceland.

News Round up

In the December 2016 Agricultural Survey, the Scottish breeding ewe flock is estimated to have contracted by 3% to 2.914m head; a three-year low. Excluding non-breeding females, sheep numbers recorded in the survey rose by 9% to 2.129m head. This was a nine-year high and reflects the combination of an increased June 2016 lamb crop and a fall in slaughterings during the summer and autumn of 2016.

A delayed arrival of Ireland's 2016 lamb crop on to the slaughter market led to a sharp increase in throughput in late 2016 and into 2017. Indeed, slaughterings rose by 14% in the November to February period at Irish export abattoirs. However, there have been signs of a slowdown in production growth in March with throughput rising by less than 2% year-on-year in the first two weeks of the month. In the first half of March 2016, the average weekly kill was 5% above the January and February average, in part down to the early Easter, whereas this year it fell 5% short of the January and February average during early March.

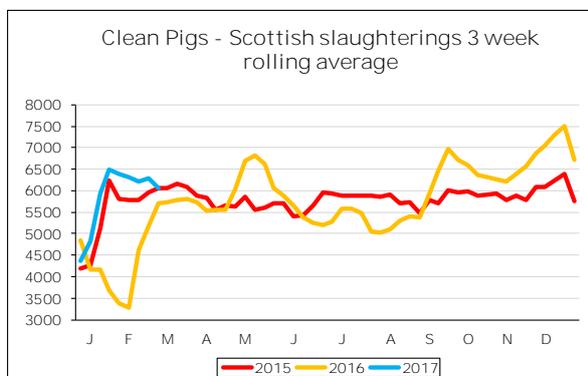
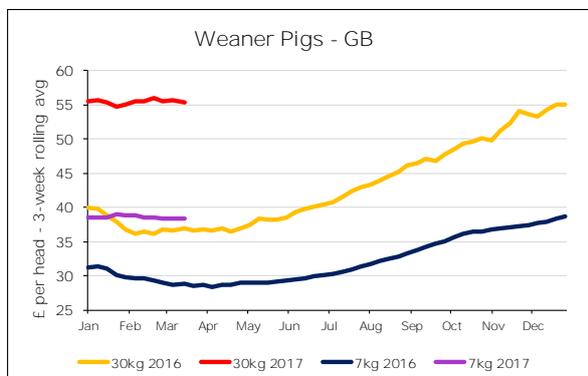
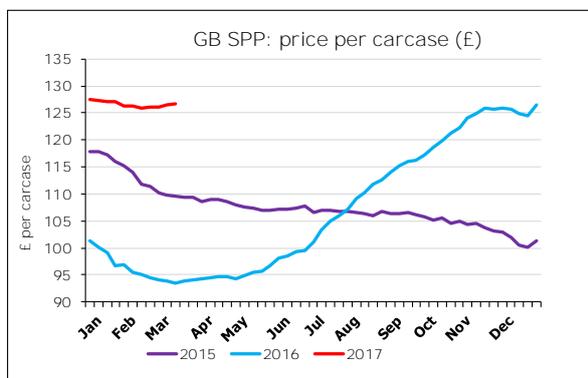
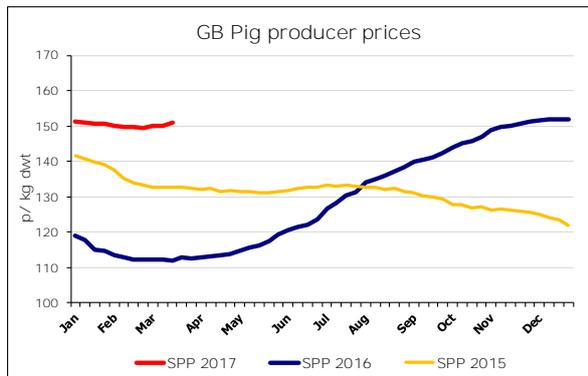
Lamb supply remained tight in NZ at the beginning of 2017. January was the ninth consecutive month to show a year-on-year decline with numbers down 6.5% at 2.468m head. However, better grass cover has supported carcass weights this lamb crop year, pushing up the average by 0.1kg (0.7%) to 17.8kg. This limited the annual decline in production volumes to 6%. NZ abattoirs produced 43,900t during the month. During the first four months of the October 2016 to September 2017 season, throughput fell by 11.5% to 6.755m head, but carcass weights rose 0.9% to 18.1kg, resulting in a 10.5% contraction in production to 137,100t.

Slaughter statistics from Agriculture and Agri-**food Canada reveal that the country's sheep kill** declined by 7% year-on-year in both January and February 2017. Monthly throughput fell to 11,900 head in January and then was just under 12,500 head in February. However, there was a regional difference with slaughter declining by almost 10% in Ontario in western Canada, but sliding by less than 3% in Quebec to the east. Quebec accounted for 42% of the national kill in the first two months of 2017, up from 40% in the same period of 2016. Last year, sheep slaughter rose by 6% to 181,500 head, with numbers up 4% in Ontario, to 104,750 head, and by 8.5% in Quebec, to 76,750 head. However, recent years have generally seen a rebalancing of slaughter from east to west as, compared with 2012, slaughter was up by 23% in Ontario but by just 3% in Quebec.

Australia's sheepmeat exports have opened 2017 at a lower level than last year. The total volume shipped out during the first two months fell by 1% to 66,500t. This was down to a sharp contraction in mutton exports, down 10% at 24,300t, more than offsetting a 5% expansion in lamb shipments, which reached 41,800t. Consequently, lamb accounted for 63% of sheepmeat exports. The US was **Australia's** largest market in early 2017 with volumes up 9% on the year at 14,300t, driven, in contrast to overall shipments, by a rebalancing from lamb to mutton. Meanwhile, the second largest market, China, bought 31% more sheepmeat from Australia, as volumes rose to 11,900t. The United Arab Emirates (UAE) was the third largest market, but at 5,600t, deliveries were down by 2% on 2016. Korea was the main growth market at the beginning of 2017 with the volume shipped rising by 56% to 2,700t. 91% of the sheepmeat sold to Korea was lamb.

Pigs

Prices and Supplies



The SPP decreased slightly in each of the first six weeks of the year. Since then it has risen in four out of five weeks, reaching a nine-week high of 151p/kg dwt in the week ending 18 March. This was up by 1.4p (1%) on its 2017-low point and 39p (35%) higher than in the same week last year. Industry sources have suggested that spot prices have risen above contract levels, signalling that demand for home-produced pigs exceeds supply. On the numbers side, the three-week rolling average SPP reporting sample was 5% smaller in the week ending March 18 than it had been in late January and has been running 2-3% lower than last year.

The average prime pig carcass price also fell back in the early weeks of 2017 before recovering from late February onwards. However, with carcass weights edging back, the carcass price has risen more slowly from its late February low, increasing by 80p (0.5%) to reach £126.75 in the week ending March 18. With carcass weights averaging similar to a year ago, this pushed the average carcass price 35% above its year earlier level.

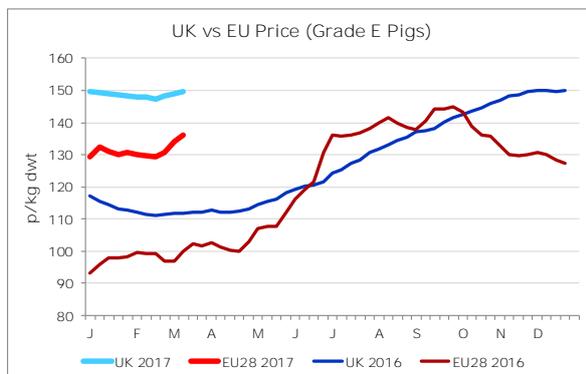
The weaner trade has been lacking direction in Q1 2017. The average price for a 30kg weaner pig has been running at around £55.50 per head while the 7kg weaner price has been trading around the £38.50 level. Compared to the March 2016, 30kg weaners have been 51% dearer to buy while 7kg weaners have risen in line with finished pig prices. As a consequence, 30kg weaners have been averaging around 44% of the average finished pig carcass price, up from 39% of it a year ago, while 7kg weaners have held at 30.5% of the carcass price. Industry sources suggest that weaner supplies are tight relative to demand.

Scottish abattoirs slaughtered 24,900 prime pigs during February. Since abattoir production had been disrupted at the beginning of 2016, the early weeks of 2017 saw a substantial year-on-year increase in prime pig throughput. Although weekly slaughter has fallen back from the highs of late 2016, it has remained above the levels of early 2015, running 3.5% higher in February at just over 6,200 head.

639,200 prime pigs were slaughtered in E&W abattoirs during February. A working day adjustment indicates that this was 7% less than in January and 5.5% lower than twelve months before. February was the sixth consecutive month to show an annual shortfall of 3-6%. Meanwhile, the sow kill is estimated to have fallen relative to a year earlier for the seventh time in eight months, down 17%, and may suggest that the recovery in farmgate prices is encouraging producers to expand their herds. DAERA figures indicate that the total prime pig kill at NI plants fell by a fraction month-on-month and by 5% year-on-year in February, slipping to 128,600 head. This was down to home produced pigs rising while fewer were imported from the Irish Republic. Home pigs accounted for 76% of the NI kill, up from 71.5% a year earlier.

For the first time in four years the average prime pig carcass weight at UK abattoirs rose between January and February, edging 0.2kg higher to 83.9kg. This pushed it 0.5% above February 2016 levels; the fourteenth annual increase in fifteen months.

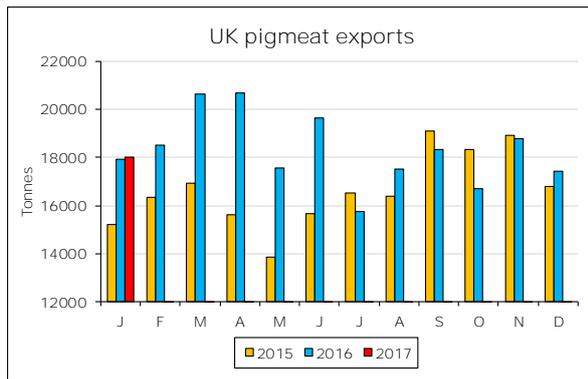
In the 12 weeks to late January it is estimated that GB households bought 3% less pork than in the same period 12 months before. This fall once again occurred despite the average retail price falling by around 2%. Half of GB households bought pork during the period. Not all pork products showed a decline in sales as pork mince, leg roasts and pork belly all rose by 6-7%. These increases were more than offset by lower sales of chops/steaks (-2%), pork ribs (-7%), shoulder roasts (-13%) and loin roasts (-14.5%). Processed pigmeat products performed well, however, with bacon, pork sausages and sausage rolls showing annual gains of 3-4% and sales of sliced cooked meats edging higher. Pork-based ready meals are also reported to have risen, up 9%. Pork pies were one exception; sales are estimated to have decreased by 2% year-on-year.



The EU average for grade E pigs showed little movement for much of Q1 2017, drifting marginally lower in mid-February, before recovering slightly to reach a two-month high at the beginning of March. However, the second and third weeks of March saw a more notable lift, with the average price rising by **nearly 3.5p to reach €1.56/kg dwt (136p/kg)**. This was a five month high and 22% above the corresponding week of 2016.

Most of the main pigmeat producing nations in the EU have seen farmgate price rises during March. In the week ending March 19, the price level was 1.5-3% higher on the month in Belgium, Denmark, Germany, France, Holland, Italy and Poland. Meanwhile, the Spanish market lifted by 6%. However, due to a weaker sterling, the UK average, in euro terms, was 1% lower, resulting in a narrowing of the UK premium to 10% from 13-14% throughout January and February.

Across the EU, pig producer prices have been running considerably higher than last year. In euro terms, the Polish average exceeded its year earlier level by 13% in the third week of March, while UK and German averages were up by a fifth. Meanwhile, prices have risen by 23-24% over the past year in Belgium, Denmark, France and Holland. Producers in Italy and Spain have seen even more significant gains of 31-32%.

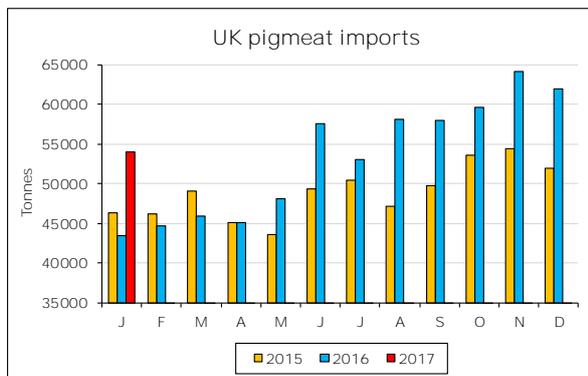


UK pigmeat export volumes rose for the fourth consecutive year in 2016. Volumes increased by 10% to 219,500t. This was around 24% of UK annual pigmeat production. Pork exports rose by 10.5% to 204,250t while bacon & ham shipments increased by 5.5% to 15,250t.

In the first month of 2017, UK pigmeat exports edged 0.5% higher to 18,000t. Shipments of fresh and frozen pork contracted by 0.5% to 16,700t, but this was countered by a 16%

increase in sales of cured pigmeat, which reached 1,300t. UK exports were equivalent to 24% of abattoir production in January.

In January, UK pork exports fell slightly on the year as the main EU markets bought significantly less, but China/Hong Kong bought more. Indeed, shipments to Ireland, Germany, Holland and Denmark fell by 6%, 11.5%, 16% and 26% respectively, accounting for a combined 7,850t. However, sales to China/Hong Kong rose by 17% to 4,400t.



HMRC trade data indicates that UK pigmeat imports rose by 9% in 2016 and hit a 5-year high of 639,800t. Imports of pork were up by 17% at a 9-year high of 405,200t, but this was partially offset by a 2.5% fall in imports of cured product to 234,600t. This meant that pork accounted for 63.5% of total imports compared with 59% in 2015. The rise in pork imports predominantly came from Denmark, and from May onwards.

Pigmeat imports to the UK rose sharply in January 2017, up nearly a quarter year-on-year at 54,050t. Deliveries of pork were up by 35% at 35,450t, while there was an 8% increase in imports of bacon & ham, which reached 18,600t.

At 14,900t, pork imports from Denmark accounted for 42% of the monthly total for pork and were 78% higher than in the opening month of 2016. There were also sharp increases of 20-40% from Ireland, Spain and Holland, but trade with Belgium and France contracted.

The overall increase in UK imports of cured pigmeat in January was driven by respective increases of 13.5% and 15% from Holland and Denmark. However, 11% less was brought in from Germany. Denmark and Holland each accounted for 41% of the monthly total, and Germany a further 12.5%.

Feed Market

Feed wheat prices in North East Scotland began 2017 on the increase, rising from around £130/t at the year-end to £145/t in mid-January and early February. They then dipped back, stabilising at £140/t for a month, before lifting again in the third week of March. At £146/t, prices reached their highest level since July 2014 and were up by 46% year-on-year. At the global level, there has been some upwards pressure on prices after a wheat-buying spree by the Egyptian authorities, who purchased a quantity equivalent to a fifth of their entire 2016 import volume in just the first half of March. A period of dry weather in the US has also led

to concerns over the **country's winter wheat crop**. In the UK, wheat supply is reported to have remained tight relative to firm demand and December survey results from across the UK point to a 3% smaller planted area for winter wheat. For feed barley, prices opened 2017 at £120/t in North East Scotland before settling at £116/t for much of February and the first half of March. The third week of the month then saw prices rebound to £120/t; 29% higher than in the same week last year.

The spot trade in Brazilian soyameal steadied at £340-342/t for four weeks until early March. Earlier in the year it had been volatile, ranging between £331/t and £355/t. As March has progressed, prices have fallen back, slipping to a three-month low of £326/t in the third week of the month. Despite falling back, the market still cleared 22.5% above its year earlier level, mostly in reflection of a weaker sterling against the US dollar. The global market has been pulled lower in March by news that Brazilian forecasters continue to project a record soyabean harvest for the country, the weather in Argentina is pointing to a recovery in yields, and US spring plantings are expected to have **exceeded last year's record high**.

News Round up

Scotland's December 2016 Agricultural Survey reported a 1.5% rise in the breeding sow herd. This took numbers to a 9-year high of 37,800 head. However, there was a sharp reduction in retained gilts, down 29% at 4,900 head. Fattening pig numbers rose sharply in 2016 to a 5-year high of 323,300 head. There was an overall 11% increase in this category with the rate of increase rising the lighter the weight category. Indeed, while those weighing between 80 and 110kg liveweight rose by 4%, numbers in the less than 20kg bracket expanded by a fifth. This increase suggests that fewer store pigs were exported live to farms in England than in the previous year. Improved productivity may also have contributed. The number of fattening pigs per sow recovered from 8.9 in December 2015 to 9.7 in December 2016. It had been at 9.7 in December 2014 and was between 10 and 12 prior to that.

At the EU level, all Member States except Belgium have reported a December sow population to Eurostat. The total number of sows across the 27 countries was down by 1.5% on December 2015 levels, at 11.673m head. The five largest pig producing nations accounted for 65% of this total, down by nearly half a percentage point on 2015 as their numbers collectively fell by 2%. The Spanish herd fell by 2% to 2.415m head, while the German herd fell by more than 3% to 1.908m head. Danish numbers were more stable, down only 0.1% at 1.236m head. In Holland, numbers contracted by 3% to 1.022m head while in France they fell by 2% to 1m head. Poland, which had the third largest sow herd in the EU back in 2007, was one of the ten Member States to see an expansion in 2016. Its herd rose by 5.5% to **858,600 head; the EU's sixth largest. Italy is the only other country to have more than 500,000 sows.** Last year, the Italian breeding herd contracted for an eighth consecutive year, down 4% at 558,000 head. The UK has the eighth largest breeding herd in the EU and numbers were estimated to have edged 0.2% higher to 489,000 head.

According to the USDA, there were 259,400t of pigmeat in cold storage in the US at the end of February. Although this was a seasonal 9% increase on the end of January, volumes fell 9% short of year earlier levels. Given that US pigmeat production has made a firm start to 2017, rising 6.5% above year earlier levels during the first 11 weeks of the year, a significantly lower volume in cold stores than twelve months ago indicates that demand has been much stronger this year. Pork ribs accounted for 24.5% of the February 2017 ending total and volumes were down by 2.5% year-on-year. Meanwhile, pork loin was down 10.5% and pork belly by nearly three-quarters. By contrast, the volume of ham in cold storage was up by 8.5%, raising its share by 3.5 percentage points to 22%. Interestingly, ham volumes

expanded by nearly a third during the month of February, suggesting that this was one product type for which demand has taken a dip. Either that, or firms were building inventory in anticipation of a future rise in consumption.

At the beginning of 2017, the Chinese wholesale pork market has followed its traditional seasonal trend, firming in January in the run up to Chinese New Year, but then falling back. However, the upswing was less pronounced than last year and then the post-festival downturn has been sharper. Therefore, having been 2-3% ahead of year earlier levels in the first month of 2017, prices slipped behind year earlier levels at the beginning of February. Since then the deficit has widened, reaching -10% in the third week of March. At an average wholesale price of 22.45 yuan/kg (£2.61/kg) in the week ending March 19, pork was 10% cheaper than at its early February peak and at its lowest level in 16 months. This meant that it has become even more competitively priced against beef and sheepmeat, trading at 42% and 48.5% of their respective wholesale prices. However, it was still 64% dearer than chicken.

Iain Macdonald – March 2017

QMS