



Monthly Market Report

May 2017

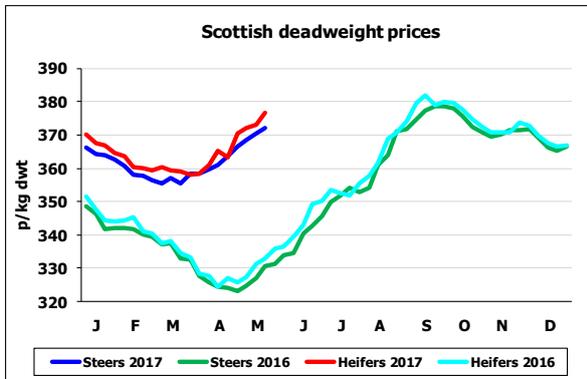
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Cattle

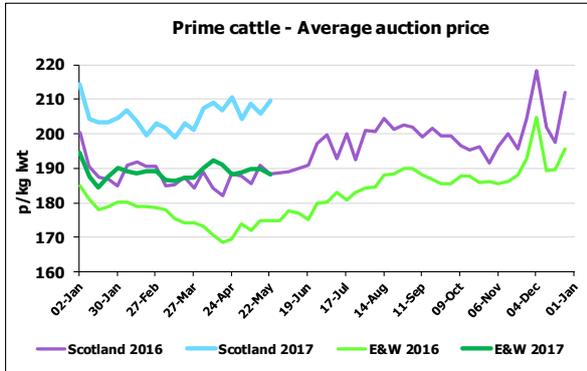
Prices and Supplies



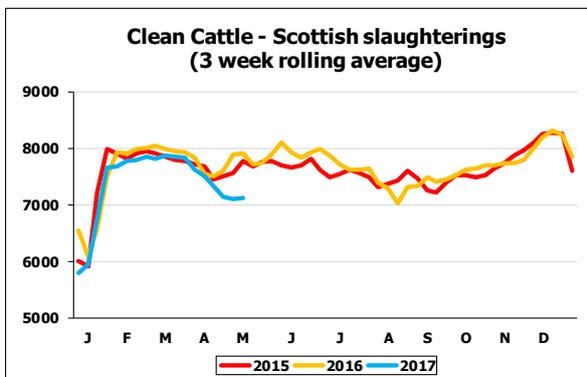
Prime cattle prices have trended higher since mid-March. The average steer price at reporting Scottish abattoirs has risen eight times in nine weeks, gaining nearly 2p a week on average. Prices averaged 372p/kg dwt in the third week of May, up 17p from their low point two months earlier and at their highest for seven months. Compared to a year earlier, prices were 12.5% higher. The number of prime cattle processed by price reporting Scottish abattoirs fell by 4.5% from a year

earlier in the four weeks to May 20, underpinning farmgate prices at a time of firm demand for beef.

With prices rising more strongly in Scotland than in England & Wales until late April, the premium over the England & Wales average price widened to 6%, up from 3-4% in February and March. It has since held at around 6% during May. Meanwhile the differential between -U4L grading steers and their R4L counterparts has narrowed to an average deficit of 1p in May from a discount of 3p in March and April. This may suggest that the proportion of -U grade steers being penalised for weighing in excess of abattoir targets has fallen.



While deadweight prime cattle prices have been rising steadily of late in Scotland, auction prices have lacked direction since mid-April. In the six weeks to May 24, the three-week rolling average prime cattle price varied within a narrow 206-208p/kg lwt range. It is possible that a rise in marketings has kept prices in check. Having been running around 25% lower than last year until April, the four weeks to May 24 saw 5% more prime cattle sold through the ring than in 2016. Compared to 2016, prices averaged 10-11% higher during the four weeks to May 24.



With Easter moving back from March in 2016 to April in 2017, the change in timing of Bank Holidays will have had a significant impact on the annual rate of change in slaughtering. As a consequence, March and April figures are combined to give a more accurate picture of how abattoir throughput compared with the same period of 2016.

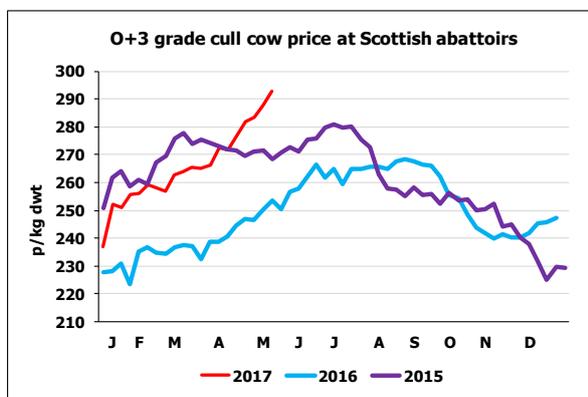
In Scotland, abattoirs slaughtered 67,400 prime cattle during March and April. This was down by 3.5% year-on-year. In England & Wales (E&W), throughput was up fractionally on the year at a combined 211,700 head, but there was one fewer day of slaughtering this year, indicating that the average daily kill rose by more than 3%. In Northern Ireland (NI), DAERA figures show that 56,150 prime cattle were slaughtered during the nine weeks ending April 29; down 1.5% year-on-year.

Scottish Government slaughter data for March and April shows that male prime cattle numbers tightened by more than females relative to the same period of 2016. While the heifer kill fell by 3%, steers contracted by 4% and young bulls by 7.5%. However, there was little difference from last year in their respective shares of the prime cattle kill, with steers at 55.3%, heifers at 39.4% and young bulls 5.3%.

In contrast to 2016 where the average prime cattle carcass weight at Scottish abattoirs had risen between March and April, it slipped back this year. From 373.9kg in March, it fell to 371.4kg in April. Relative to April 2016, the average weight was lower by 7.3kg (nearly 2%), adding to the tightness of supply. At 387.7kg, steer carcasses were 4kg lighter than in March, while heifer weights eased by 2kg on the month to 350.2kg. By contrast, young bull carcasses rose in weight by 8kg to 353kg. Compared to April 2016, all were lighter. Steers were down by 10.4kg (2.5%), heifers by 1.5kg (0.5%) and young bulls by 3.5kg (1%).

The fall in throughput and carcass weights at Scottish abattoirs indicates that prime beef production fell 5% short of year earlier levels during March and April.

At £1,406, Scottish abattoirs paid an average of 9% more for a steer carcass during April 2017 than 12 months before. The gains accruing to producers from a 12% higher average price were partially offset by the 2.5% fall in the average carcass weight.



There has been no let-up in the rise of cull cow prices at reporting Scottish abattoirs in recent weeks. In the third week of May, the O+3 grade had climbed to 293p/kg dwt, from 277p/kg in the third week of April, 265p/kg in mid-March, and 237p/kg at the beginning of 2017. It was last higher in September 2013. Since this has been a seasonal trend higher, O+3 grade prices have maintained a consistent gap of 13-15% over 2016 levels since March. Cull cow numbers have begun to lift from their seasonal low point in April

without placing prices under pressure. However, at Scottish auctions, numbers have been rising since early April and prices have shown signs of steadying during May, following a significant increase in April. Relative to last year, prices had been running 15% higher until early May, but this has now dipped back to 11%. Beef cows have been trading at around 135-140p/kg lwt. Dairy cows have been averaging 105-110p/kg.

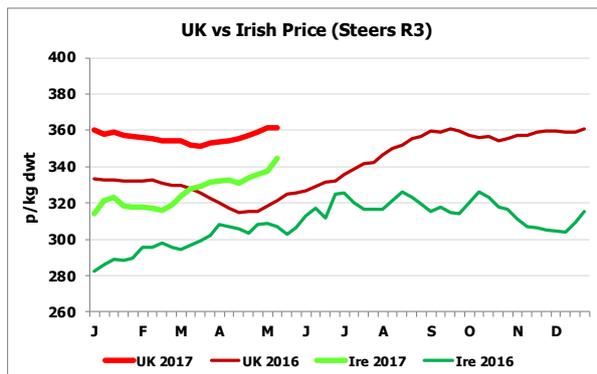
During March and April, mature cattle slaughter volumes remained above 2016 levels at Scottish abattoirs, rising by 3% to 10,900 head. However, this marked a sharp slowdown in the rate of annual growth. Defra slaughter statistics for E&W suggest that the mature kill was down by 8% year-on-year, after accounting for one less day of slaughtering. According to DAERA, NI abattoirs handled 1% more cows and bulls than a year before.

Cow carcase weights at Scottish abattoirs trailed year earlier levels for the 24th consecutive month in April. At 341kg, they averaged 1.7kg (0.5%) lighter than a year earlier. Compared to March, they were 2kg lower.

After some strength at the beginning of April, the traditional seasonal pattern in store cattle prices has reasserted itself since late April. In the third week of May, the average 6-12 month old store steer traded at £808, down from £935 in the week ending April 22. Prices for 12-18 month stores have moved in a similar way, falling by £118 over four weeks to trade at £897 in the third week of May. These recent declines have taken prices around 1% below year earlier levels having been running 8-10% higher in April. Marketings of store cattle have also fallen back seasonally in recent weeks.

Kantar Worldpanel data for GB household purchases indicates that beef demand held firm through the spring, with sales up by around 3.5% year-on-year in the 12 weeks to April 24. While previous increases over the winter had been driven by lower retail prices, the average price was slightly above 2016 levels in the most recent period. The overall increase in sales was driven by a shift towards steak cuts with sales of these products rising by 12.5%. The gains were a much more muted 1-2% for stewing beef, roasts and mince.

The latest evidence from Kantar indicates that sales of manufactured beef products have risen strongly. Frozen steak pies and puddings led the way on 12.5%, with 8-9% growth for chilled beef-based ready meals and burgers. Meanwhile, sales of pre-packed steak pies rose by 3.5% and frozen beef-based ready meals by 5%. However, pasties showed only marginal growth.



Despite prime cattle numbers running significantly above year earlier levels in the Irish Republic, and seeing a smaller seasonal slide than last year (see News Round Up), prime cattle prices have continued to firm through April and May after rising sharply in late March. In euro terms, the average R3 grade steer price rose by 13c/kg in March, before adding another 10c/kg in April and then 8c/kg in the first three weeks of May. This pushed it to €4.03/kg dwt (344p/kg) in

the week ending May 21. In euro, this was a year-on-year increase of 2% and the price was last higher in August 2015. By contrast, in sterling, this was its highest level since August 2013, and was a year-on-year increase of 12.5%. With prices trending higher in both Scotland and the Irish Republic, the gap between Scotland and Ireland has lacked direction since March, varying from week-to-week in a range of 9-12%.

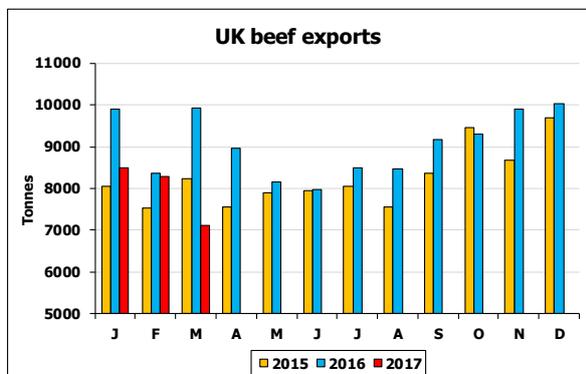
The EU average price for an R3 grade young bull edged fractionally lower in the month to May 21, slipping by 0.2% to €3.71/kg dwt (317p/kg). France and Italy saw declines of around 0.5% while there were falls of 1-2% in Germany and Sweden. However, euro terms prices rose by 0.5% in Spain and Poland, and by 1% in the UK. Stronger gains of 2-3% accrued to producers in Belgium and Ireland.

Despite edging lower, the EU average for R3 grade young bulls exceeded its year earlier level by 3.5% in the third week of May. Prices were 1-2% ahead of year earlier levels in euro terms in the UK, Spain and Italy, and up by around 2.5% in Ireland. Meanwhile, there were 4-6% increases in Belgium, Germany, France and Poland. Sweden was one of the few countries to see a decline, with prices falling 6% short of 2016 levels.

The EU cull cow trade firmed in the month to May 21, with the average O3 grade price advancing by 2% to €2.95/kg dwt (252p/kg); its highest since early September 2015. Although the EU average price went up, the Spanish average fell by 4% and Swedish prices were flat. Meanwhile, the French market only edged higher and the Italian price rose by a below average 1%. In the UK, the euro terms average price rose by around 2.5%. Slightly stronger increases of 3-4% occurred in Ireland, Germany and Belgium, with Holland leading the way on 7%.

Rising cull cow prices have kept the EU average well above 2016 levels, trading 8% higher in the third week of May. In euro terms, above average increases have occurred in Holland (10%), Poland (12%) and Germany (17.5%), while Italian and UK prices have risen in line with the average. Below average, but still significant, increases of 5-6% have happened in France, Ireland and Belgium over the past year. However, Spanish prices remained only marginally above May 2016 levels and the Swedish price traded 2.5% lower.

Regional price comparison			€1 = £0.855
w/e 20/05/17	Steer R3 (p/kg dwt)	Heifer R3 (p/kg dwt)	Cow O3 (p/kg dwt)
Scotland	375.4	379.1	285.2
E & W North	356.1	355.1	270.7
E & W Central	360.3	363.8	272.2
E & W South	361.0	359.7	276.6
NI	362.4	360.9	275.6
RoI (21/5)	344.4	353.7	286.6
France (21/5)	319.7	336.8	277.8
Germany (21/5)	n/a	308.7	261.9
Holland (21/5)	n/a	220.7	237.1
Spain (21/5)	n/a	327.8	187.9
Poland (21/5)	n/a	269.9	236.0
Italy (21/5)	n/a	350.8	237.9
Sweden (21/5)	391.6	416.2	355.1
EU28 (21/5)	349.8	331.9	251.8
USA (21/5)	361.5 (steer)	360.2 (heifer)	238.3 (Cutter – 90% lean & >225kg)
Australia (26/05/17)	376.0 (EYCI – steers & heifers)		261.7 (medium cow)

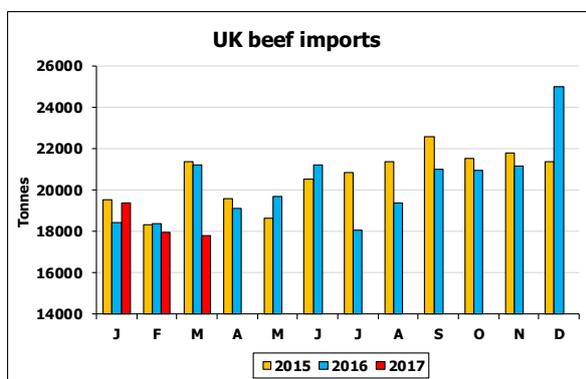


UK beef exports fell sharply during the first quarter of 2017 (Q1), sliding in each month relative to a year earlier. During the three months, volumes totalled 23,900t which was down by 15% on the same period of 2016. Shipments were particularly weak in March, down 28%; though this is a provisional figure. As a proportion of UK beef production, exports accounted for 10.5% during Q1 and only 9% in March. A year earlier, these had been 12% and 13%, respectively.

Despite a favourable exchange rate against the euro, UK beef exports to the EU fell by 22% year-on-year to 20,000t during Q1 2017. The March decline amounted to 34% as only 5,800t

were delivered. However, the average value rose by 25% year-on-year to £3,600/t during Q1, so overall export revenues fell by only 3%. Each product category showed a significant fall in volume but rise in price. Most EU markets bought 20-50% less beef from the UK than a year earlier during both March and Q1 as a whole. Ireland was the largest buyer, with 2,200t in March and 7,200t during Q1.

In contrast to EU markets, UK beef exports to non-EU countries rose by 56% year-on-year during Q1 2017 to 3,900t and 16% of shipments. This was a 7 percentage point increase in share on a year earlier. The growth rate was a slower, but still significant, 25% in March, with 1,300t being shipped. Exports to the largest non-EU market of Hong Kong (HK) drove the overall expansion. Exports to HK have more than doubled so far this year to 630t in March and 1,650t during Q1. These were 48% and 42.5% of the non-EU total. French Polynesia was another market to show strong growth, but Vietnam and Gabon were more stable in March after a strong first two months. Deliveries to Ghana and Switzerland fell back.



In recent years the UK has imported a higher volume of beef in March than in the previous two months. However, 2017 has been an exception, with the 17,800t delivered during March being the lowest of the year-to-date. The 16% annual decline in March left the Q1 total down 5% from 2016 at 55,150t. A large part of this decline was driven by imports of fresh beef, which fell by 21% year-on-year in March and by 6% in Q1. Fresh beef accounted for 69.5% of March imports and 72.5% during

Q1. Imports of frozen beef fell at the same 2% rate in both March and Q1.

After rising in January and February, beef imports from the EU fell 14% short of 2016 levels in March, slipping to 16,900t. This shortfall in March meant that imports ended up being slightly lower than a year earlier during Q1, at 52,400t. However, they took a 95% share of the total, up from less than 92% last year. At 12,750t, imports from the Irish Republic were 15% lower than 12 months before in March. This took the Q1 total from Ireland to 39,950t, down 1% on last year. There was a shift in the composition of beef deliveries from Ireland with fresh imports down but frozen product rising. This shift was evident during March and Q1 as a whole. Meanwhile, growth in shipments from Poland, but declines from Holland resulted in imports from these two countries converging to similar levels of 1,200-1,300t in March and 3,800-3,900t during Q1.

At 850t, the volume of beef imported from non-EU countries during March was 45% lower than in the same month of 2016. This took Q1 import volumes to 2,700t; 44% below year earlier levels. The main suppliers, including Australia, Botswana, and Uruguay, showed declines of 20-70% for the single month and quarter. However, there was some growth in shipments from Argentina.

News Round Up

In the four weeks to May 20, Irish export abattoirs slaughtered 92,300 prime cattle. This was a considerable 8.5% increase over the corresponding period last year. Although the weekly average throughput fell 9% short of the Q1 average in the four weeks to May 20, there had been a more significant 16% seasonal slide in average weekly slaughter at the same time last year. A breakdown of the kill shows that during the four weeks to May 20, steer throughput showed the largest annual increase, of 10.5%, while heifers rose by 7% and young bulls by 5.5%. As a result, the share of steers in prime cattle slaughterings rose by a percentage point on a year earlier to 47.3%, whereas heifers and young bulls each lost half a percentage point, slipping to 36.6% and 16.1% respectively.

According to Eurostat, cow slaughterings rose sharply in the opening two months of 2017 in Holland. The number processed rose by one-third on a year earlier to 101,800 head. With the average carcase weight down by 2% at 295.2kg, cow beef production rose by 30.5% over last year to 30,050t. Cow throughput increased to such an extent due to a drive to meet EU environmental regulations. A 10-year exemption granted to Holland from meeting EU nitrates pollution rules is set to run out at the end of 2017 and, for this to be renewed, the country needs to reduce its emissions of phosphates into watercourses. As a condition of the exemption, Holland agreed to set a maximum level of phosphate emissions, but this was breached in 2015 and 2016 due to rising dairy production. Therefore, in order to limit phosphate runoff from the spreading of manure, the country needs to significantly reduce its cow herd this year. To help achieve this objective, the Dutch Government has put in place support payments to farmers that disperse their dairy herd.

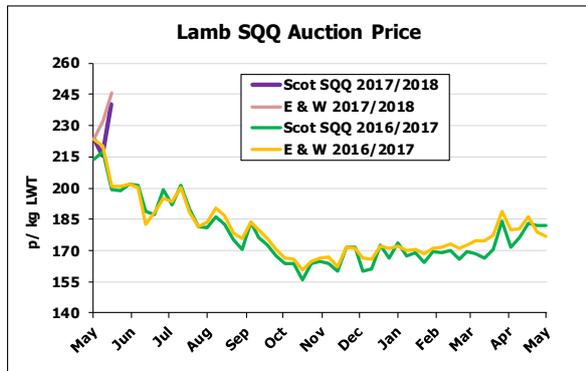
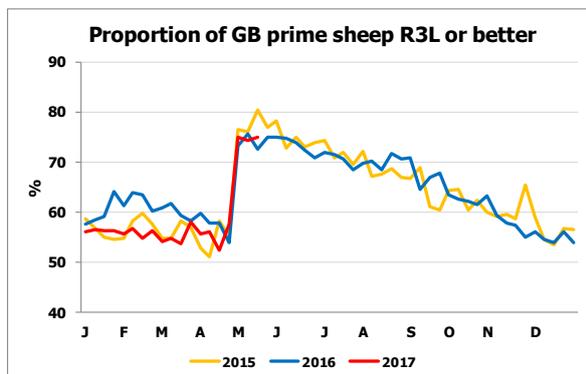
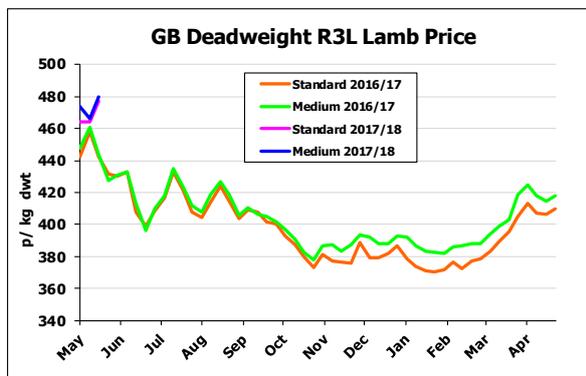
During Q1 2017, Brazil exported 264,400t of fresh beef. Compared to the same period a year earlier, this was a decline of 8%. This may have been influenced by a 6.5% increase in the average value per tonne to \$4,090/t (£3,200/t). China/HK remained the largest buyer of Brazilian beef, though the balance of these shipments shifted towards China. Sales to China/HK had an average value per tonne in line with the overall average and rose by 0.7% to a combined 95,200t; a 36% share of quarterly exports. Russia was the second largest market for Brazil, and exports rose by 9% on a year earlier to 37,800t. In third place was Iran, with volumes rising 60% to 31,450t. This growth may well reflect the continuing return of Iran to global markets following the reduction of sanctions in early 2016. However, the fourth largest market in Q1 2016, Egypt, saw considerable contraction in Q1 2017. Exports to Egypt declined by three-quarters to 14,000t, lowering its share from nearly 20% to just over 5%. By contrast, greater access to the US market for Brazilian beef resulted in shipments there reaching 4,700t, up from effectively zero in Q1 2016. Like exports to China/HK, deliveries to the US were valued close to the overall average. The main European customer for Brazil was Italy, buying 4,750t, while 3,250t were delivered to Holland. Current tariff rate quota access to the EU market means that exports from Brazil to the EU tend to be of higher value cuts. In addition to 264,400t of fresh beef exported, Brazil sold 47,750t of offal, 22,900t of processed beef, 4,700t of casings, and 1,800t of cured beef.

The latest USDA Cattle on Feed report shows that on the opening day of May, there were 2% more cattle present on US feedlots than a year earlier. Numbers lifted to 10.998m head. In contrast to 2016 where the fed cattle population had fallen by 0.7% during April, numbers increased by 0.7% during April 2017. This was down to an 11% year-on-year increase in the number of cattle placed on feedlots during April, to 1.848m head, while the number marketed rose by a slower 2.5% to 1.703m head. Texas was the State with the largest number of cattle living on feedlots; its May 1 total was 2.46m head. This was marginally higher than the 2.45m in Nebraska and 2.28m in Kansas. At 7.19m head, these three States accounted for a combined 65% of the national fed cattle population.

Cattle slaughterings fell sharply in Australia in Q1 2017. Over the three months, 1.674m adult cattle were processed, down 8% year-on-year. Within this total, male slaughter declined by 6.5%, while the female kill contracted by 12.5%. As a result, females accounted for 48% of slaughter, down from 50.5% in Q1 2016. This shift reflects a change in the cattle cycle as firm producer prices and improved rainfall have encouraged producers to rebuild their herds following a period of consolidation. Another feature of more favourable weather conditions has been a rise in carcase weights. The average for adult cattle rose by 2% year-on-year in Q1 to 297.6kg. This resulted in a slower rate of decline in production; the 498,100t produced was a 6.5% decrease on the same period last year.

Sheep

Prices and Supplies

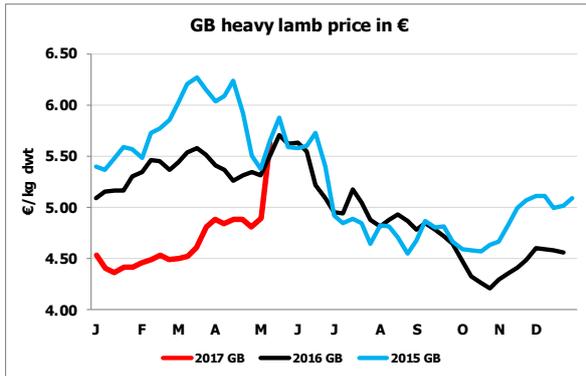


At reporting GB abattoirs, SQQ¹ prime lamb prices have traded at an average of 470-480p/kg dwt in the first three weeks of May. This compares with a range of 440-460p/kg in early May 2016. Prices rose strongly in the third week of the month as demand firmed ahead of Ramadan, which began at the final weekend of May. The difference in price between standard and medium carcasses has narrowed significantly in May, running at around 0.5% in the second and third week's of the month, compared with a consistent gap of 2-3% since the turn of the year. In the third week of May, a standard R3L carcase averaged 477p/kg while a medium R3L carcase traded for 3p dearer than this. The hogg trade has also been boosted by the Islamic festival, with prices averaging 423p/kg in the third week of May compared with April's monthly average of 413.5p/kg.

After running well behind year earlier levels throughout the first third of 2017, carcase quality has improved slightly relative to last year since the beginning of May. 75% of new season lambs processed by GB price reporting abattoirs graded at R3L or better during the first three weeks of May, up by 0.5 percentage points on the year. However, quality continued to trail the levels seen in the same period between 2010 and 2015.

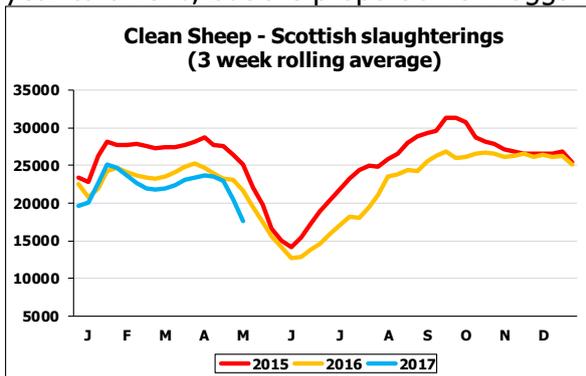
At Scottish auctions, new season lamb prices traded at an average of 215-225p/lg lwt in early May. This was around 5% above May 2016 levels. However, with demand firming in the run up to Ramadan, prices spiked in the week to May 24, reaching 240p/kg. This was up by 21% year-on-year and was the highest weekly average since June 2014. Strong demand also boosted hogg prices in the week ending May 24. They reached an average of 196p/kg, having traded at 189p/kg in the previous two weeks. In the same week last year, the hogg market had cleared 19% lower at 159p/kg.

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



While farmgate prices may have been lower than last year by around 10% in sterling until recently, they have been underpinned by the relative weakness of sterling. Indeed, in euro terms, prices had been running 15-20% lower than last year until late March, suggesting that without a weaker sterling, prices may have come under even greater pressure. A weak sterling has also pushed up the price of imports from New Zealand.

GB auction market data for the four weeks to May 24 reveals a slow start to the 2017/18 season coupled with a long tail of hogs. The number of lambs marketed edged above the corresponding period last year, but this was driven by a surge in numbers in the week to May 24 driven by demand for Ramadan; prior to this numbers had been behind 2016 levels. For hogs, marketings exceeded year earlier levels by nearly 20% in the four weeks to May 24. It was a similar case at Scottish auctions for both lambs and hogs. At the GB level, nearly 95% of new season lambs weighed between 25.5kg and 45.5kg lwt during the four weeks to May 24, unchanged from last year. However, the proportion of hogs within the SQQ weight range decreased by three percentage points on the year to 56%. North of the border, the proportion of lambs within the SQQ band fell by two percentage points on the year to 64.5%, but the proportion of hogs in the target range rose from 66% to 67%.



Prime sheep slaughterings at Scottish abattoirs fell by an annual rate of just over 5% in March and April with numbers slipping to 200,000 head. An average weekly kill of 22,225 head meant that, each week, around 1,250 fewer prime sheep were processed than a year earlier.

April was 20.9kg. This was up by 0.3kg on the month and by 0.6kg (3%) compared to the same period of 2016.

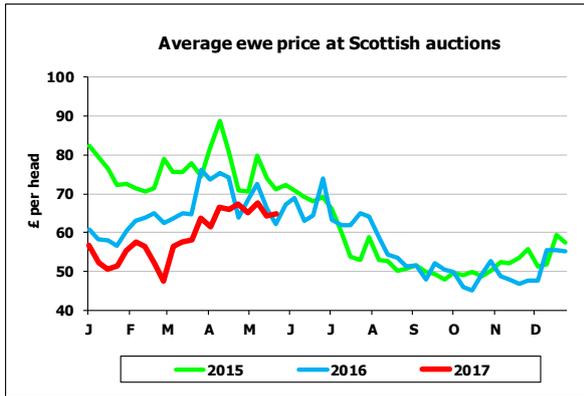
The average carcass weight of the prime sheep handled by Scottish abattoirs during

With higher carcass weights partially offsetting the fall in prime sheep slaughterings, Scottish abattoirs produced 3% less primemeat than a year earlier during March and April.

Defra slaughter statistics for March and April indicate that 1.797m prime sheep were slaughtered by E&W abattoirs. This was a year-on-year increase of 13%, rising to 17% when one fewer slaughter day has been accounted for. DAERA reported that 46,700 prime sheep were slaughtered at NI abattoirs during March and April. This was a 12% year-on-year increase.

Defra estimates that the average prime sheep carcass weight at UK abattoirs edged higher between March and April to reach 20.4kg. Compared to April 2016, this was an increase of 0.4kg (2%); though it was only a fraction above April 2014 and 2015 levels.

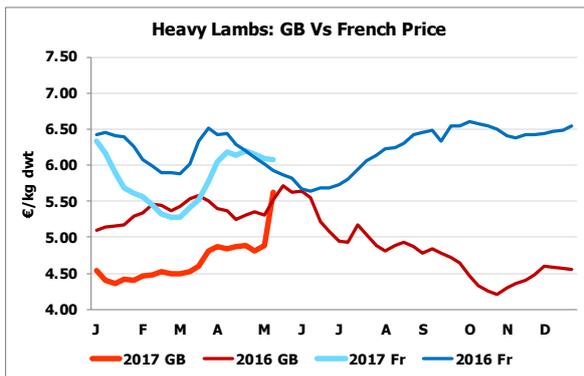
During March and April, 244,300 ewes & rams were processed by E&W abattoirs. After accounting for a day less of slaughtering, this was an annual decline of 3.5%.



After rising seasonally through March and April, the average cull ewe price has edged slightly lower as May has progressed. The three-week rolling average reached £66.50 a head in late April/early May, before slipping back to around £65.50 in the weeks ending May 17 and 24. Weekly marketings have trended higher through May, potentially placing some downwards pressure on prices. Although the market cleared 4% above year earlier levels in the week to May 24, prices had been averaging 5% lower than last year earlier

in the month.

GB households are estimated to have bought 14% less lamb during the 12 weeks to April 24 than in the corresponding period 12 months before. A significantly higher average retail price is likely to have been a key factor, making lamb less competitive against other proteins. Out of the different categories of cuts, lamb mince saw the smallest rate of decline, of around 3.5%. Meanwhile, chops/steaks fell by 13%, leg roasts by 17% and shoulder roasts by one-fifth. However, sales of lamb-based ready meals are estimated to have risen slightly.



The EU average for heavy lambs² has risen in the month to May 21 with a number of countries transitioning to new season lambs. At €5.37/kg dwt (459p/kg), the EU average was 9.5% higher than in the week to April 23. The overall increase was underpinned by euro terms price rises in NI (9.5%), Holland (10%), the Irish Republic (11%), Spain (11%), GB (15%) and Romania (20%). However, prices were only up by 2% in Sweden and Germany. France was the main exception to monthly increases, with its average price seeing a post-Easter slide of 1%.

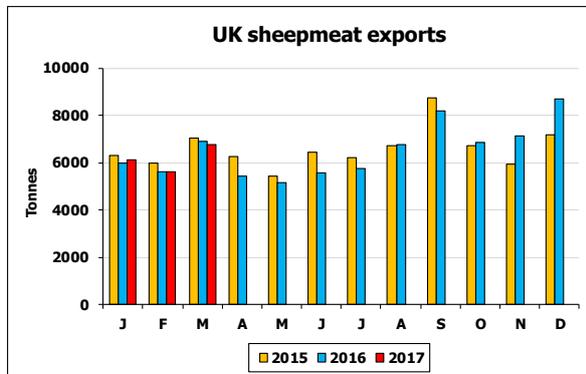
The sharp monthly increase was sufficient to take the EU average for heavy lambs 1.5% in front of its year earlier level in the third week of May. However, recent increases were not enough to push prices in GB, Sweden or Holland ahead of 2016 levels, with the market remaining 1-2% lower in euro terms. By contrast, prices were 0.5% higher in Germany and NI. They were up more significantly in the Irish Republic (3%), France (4%), Spain (13.5%) and Romania (19%).

The average EU light lamb³ price was 2.5% higher on the month at €5.21/kg dwt (446p/kg) in the week ending May 21. This was driven by an 11% recovery in the Spanish price. Elsewhere, Italian and Croatian prices edged 1-2% higher, but the market cooled by 5-8% in Bulgaria, Greece and Hungary.

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

Despite rising on the month, the EU light lamb average remained lower than last year, trailing by 5%. Despite their strong recent upturn, Spanish light lambs were still valued 8% less than last year, while prices were also lower in Croatia (-8%) and Greece (-12.5%). By contrast, the market cleared slightly higher than in May 2016 in Bulgaria, while prices were up significantly in Hungary and Italy, rising by 7% and 14% respectively.

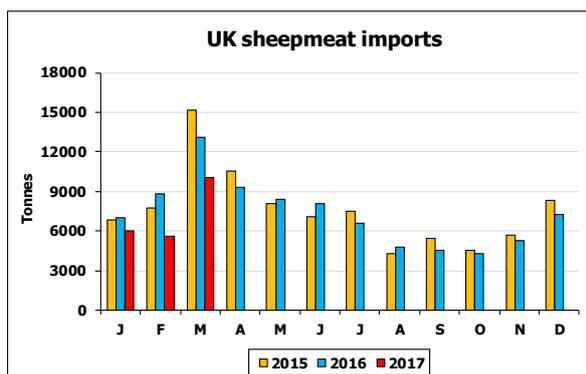


UK sheepmeat exports matched year earlier levels of 18,500t during Q1 2017. After rising slightly in January, they were stable in February before falling 2% in March. Around 27% of abattoir production was sold overseas each month during Q1.

A fall of 8% to 6,200t in March meant that UK sheepmeat exports to EU countries trailed year earlier levels by 2% during Q1 2017, sliding to 17,350t. The main market, France,

drove the shortfall; volumes delivered there fell by 15.5% year-on-year in March to 3,000t and were 11% lower during Q1 as a whole, at 8,550t. By contrast, the mid-range markets of Germany, Belgium, Holland, Ireland and Italy all bought more sheepmeat from the UK during Q1 2017. Holland showed particularly strong growth of around 50%, whereas shipments to the others rose by 2-8%. Carcasses and half-carcasses made up 51% of exports to the EU during Q1, down from 55% a year earlier. Mutton carcasses and bone-in cuts accounted for slightly greater shares of exports.

In March, UK sheepmeat exports to non-EU countries reached their highest monthly level since August 2014. At 550t, shipments rose three-fold on the same month a year earlier and accounted for 8% of total monthly exports. This took the Q1 total to 1,100t; a year-on-year increase of 47%. Shipments to HK grew strongly and accounted for half of March shipments and 52% of the Q1 total. Meanwhile, March was the first time since October 2015 that shipments to Ghana exceeded 100t. Vietnam was also a growth market in Q1.



For the seventh consecutive month, the UK imported less sheepmeat than twelve months before during March. Monthly arrivals were down by 23% year-on-year at 10,100t; a five-year low for the month. This was a slightly slower rate of decrease than the 25% rate seen during Q1 as a whole, during which imports slipped to 21,650t.

The UK imported 8,000t of sheepmeat from New Zealand (NZ) during March, taking the Q1 total to 16,300t. These were respective declines of 29% and 33.5% compared to last year. With deliveries from NZ falling more significantly than the sheepmeat total, the NZ share fell by 7 percentage points from a year earlier in March to 79%. During Q1, NZ accounted for 75% of deliveries, down from 85% in Q1 2016. The average value per tonne arriving from NZ has been around 17% higher than last year, averaging £5,000/t in March and £4,800/t during Q1. By contrast, imports from Australia rose by a third in March to 1,250t and more than doubled during the quarter to 3,250t. These were respective market shares of 12.5% and 15%, up from 7.5% and 8% a year earlier. This sheepmeat was also more expensive to buy than last year, up 21% in March and by an average of 18% over Q1 at £4,460/t.

Meanwhile, sheepmeat imports from Ireland rose by nearly a fifth from last year during Q1 to reach 1,250t, accounting for a 6% share of the total compared with less than 4% in Q1 2016.

News Round up

During the four weeks to May 20, Irish export abattoirs slaughtered 9.5% more prime sheep than in the same period of last year. Numbers increased to 171,900 head, at an average 43,000 head per week. This was around 200 head above the average weekly volume for the opening 20 weeks of 2017. Though, after growing at an annual rate of around 15% in late April/early May, numbers were up by 5-6% in the second and third weeks of May as the transition away from hoggs towards new season lambs progressed.

For the tenth time in eleven months, NZ abattoirs slaughtered fewer prime sheep than a year earlier in March. The total number of lambs processed fell by 3% year-on-year to 2.63m head; a five-year low for the month. However, with a better level of rainfall this year underpinning grass growth and hence lamb growth rates, carcase weights exceeded year earlier levels by more than 1.5%, at an average of 18.5kg, limiting the decline in production volumes to 1%. Although a strong February kill and higher carcase weights meant that the tonnage of lamb produced was up by more than 1.5% year-on-year during Q1 at 141,000t, slaughterings and production still trailed year earlier levels by 5% and 4%, respectively, during the first half of the October 2016 to September 2017 season.

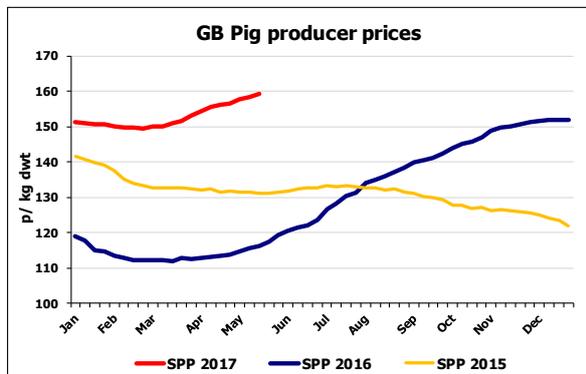
Australia's abattoirs slaughtered 5% fewer lambs during Q1 2017 than in the opening quarter of 2016, with numbers totalling 5.603m head. Though, with a wetter summer across large parts of the country boosting lamb growth rates, carcase weights rose by an average of just over 1% to 23kg, resulting in a slower decline in lamb production volumes. Production fell by around 3.5% to 128,650t.

Trade data for Australia shows that the country's lamb exports fell by more than 8% year-on-year to 60,400t in the three months to April. The US remained the principal market, buying 25,250t, 42% of the total. This was up from 40% a year earlier as exports to the US fell by a slower than average 4%. China also increased its importance as a buyer of Australian lamb. Its share of exports rose by 5.5 percentage points on a year earlier to 29.5% as sales expanded by 12% to 17,850t. Meanwhile, the third largest market, the United Arab Emirates, held broadly level at 14% of shipments as exports fell by 9% to 8,250t. Other markets to decline included Papua New Guinea, Jordan, Qatar and Malaysia, but progress was made in Japan and the UK.

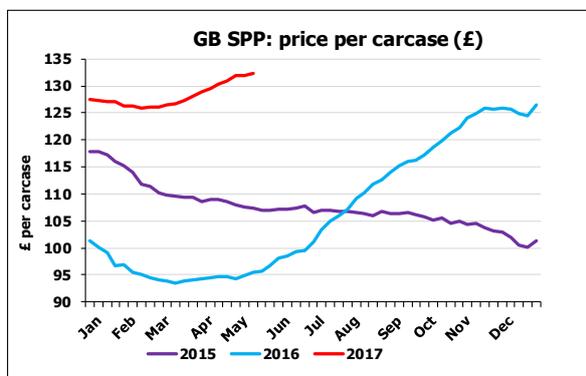
During the first third of 2017, Canada imported 7,400t of sheepmeat. This was an increase of 19% on the same period last year. 77.5% of deliveries were of lamb, with mutton taking a 6-percentage point increased share of the total relative to the first four months of 2016. New Zealand accounted for 56% of lamb imports and 78.5% of mutton in Q1 2016, while Australia supplied 41% of the lamb and 14% of the mutton. 70% of shipments were frozen, 28% were fresh and the remaining 2% was processed sheepmeat. Bone-in cuts were the most commonly imported product type, accounting for 69.5% of the total, while boneless sheepmeat made up one-quarter of the total.

Pigs

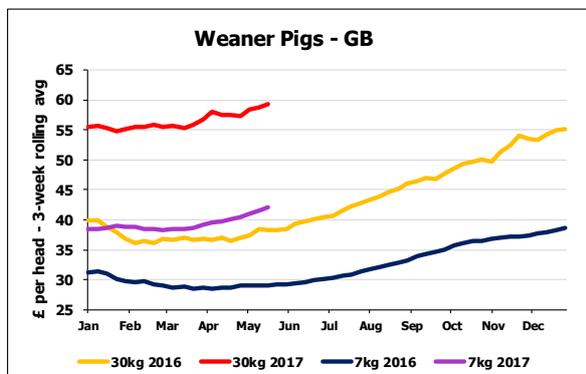
Prices and Supplies



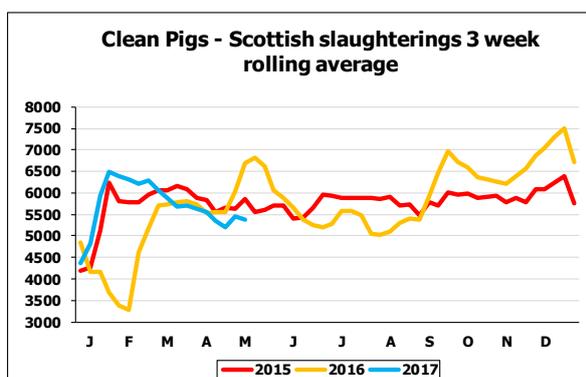
Prime pig producer prices have risen seasonally since early March. Following 12 consecutive weekly price increases, the SPP reached 159p/kg dwt in the week ending May 20. Over the twelve weeks, prices advanced by 9.5p/kg (6.5%), pushing them 43p (37%) above the same week last year. After a seasonal downturn in numbers through the first third of the year, price reporting abattoirs have processed increased numbers of prime pigs since the beginning of May.



While the seasonal slide in numbers appears to have reversed, carcass weights have continued to trend lower. Nevertheless, the rise in per kilo prices has been sufficiently strong to maintain the upwards trend in the average price per carcass. In the third week of May it reached £132.38; 5% higher than at the beginning of March. With carcass weights averaging above 2016 levels, the average carcass price showed a 38% annual increment in the week ending May 20.



Like prices for finished pigs, store pig prices have firmed since March. After holding at £55-56 per head until mid-March, the three-week rolling average for a 30kg weaner reached £59 in the third week of May. This was up 7% from mid-March and by 55% from a year earlier. Meanwhile, the three-week rolling average 7kg weaner price climbed to £43 a head on May 20, compared with £38-39 during much of Q1 2017. This meant that the 7kg store price had risen by 9.5% since mid-March and by 44% year-on-year. With weaner prices rising more strongly than finished pig prices, weaner values have risen as a percentage of the finished pig price by around a percentage point since the end of April. The 7kg weaner was valued at 32% of the finished value in the three weeks to May 20, with a 30kg weaner being valued at 45% of it.



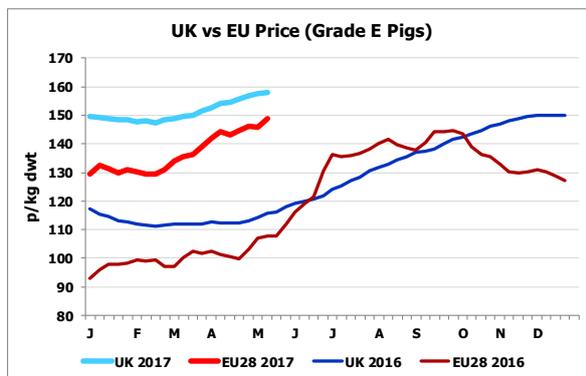
Scottish Government slaughter statistics for March and April point to a 7.5% contraction in prime pig slaughterings at Scottish abattoirs relative to twelve months before. Numbers totalled 50,100 head, working out at a weekly average of just over 5,550 compared with 6,000 in 2016.

Defra slaughter statistics for March and April show that E&W abattoirs killed 1.365m prime pigs. After adjusting for working days, numbers were 6% lower than twelve months previously. Meanwhile, the sow kill is estimated to have remained well behind year earlier levels, down 12.5% after a working-day adjustment. The sharp reduction in cull pig throughput may indicate that herd expansion is underway due to firm farmgate prices. DAERA figures indicate that NI prime pig throughput exceeded 2016 levels by 0.5% during March and April. 3% more home produced pigs were slaughtered than twelve months before, but 5% fewer were imported. As a result, the share of home produced pigs in the total rose by around 1.5 percentage points to 73.5% this March and April.

According to Defra, the seasonal decline in prime pig carcasse weights continued at UK abattoirs in April. The average weight eased by 0.3kg on the month to 83.0kg. Nevertheless, this pushed it 0.7kg ahead of its year earlier level, an increase of nearly 1%.

In the 12 weeks to late April, Kantar Worldpanel estimates that GB households bought 1.5% less pork than in the same period 12 months before. However, the average retail price did lift following a prolonged period of declines, and the amount of money spent buying fresh and frozen pork edged higher. There was a wide range in performance across the different cuts. Whereas sales of roasting joints decreased, sales of pork belly, pork mince and chops/steaks picked up strongly.

The latest Kantar data points to firm demand for a number of processed pork products during the twelve weeks to April 24. Bacon sales rose by 1.5% while there was 3% growth in sausage sales and gains of more than 4% for sliced cooked meats and pork-based ready meals. However, pork pies and sausage rolls were less popular than in the same period of 2016.

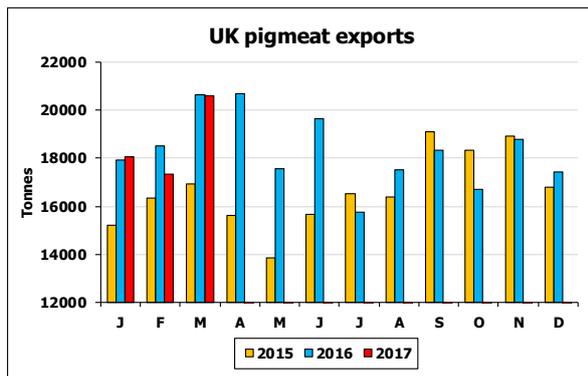


The EU average price for grade E pigs continued to trend higher through the second half of April and into May. In the third week of May, prices averaged 2% higher than in the third week of April, climbing to €1.74/kg dwt (149p/kg). Prices were last this high in euro terms at the end of October 2013.

Earlier in the spring, a rising market had been consistent across the main pigmeat producing countries. However, this has not been the case in May. Indeed, prices were down 3% on the month in France and marginally lower in Spain. In the UK, the euro terms prices was only 0.5% higher on the month. Meanwhile, producers in Belgium, Holland, Germany and Poland did see gains of 2-3%. Denmark led the way, up 5%.

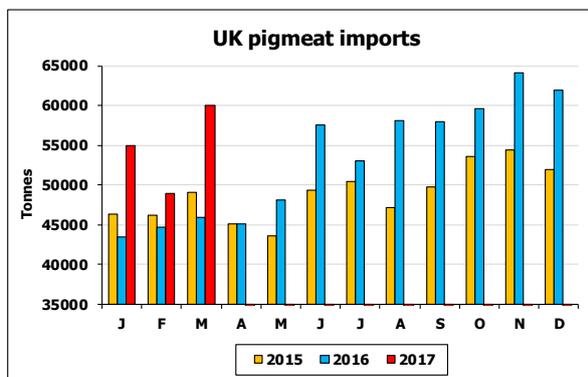
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Although price movements showed some signs of divergence across the EU in late April and early May, prices remained well above 2016 levels across Member States. UK prices have risen by 24% on the year and the French average by 25%, slightly below the EU average increase of 25.5%. Meanwhile, the market has risen to the same extent as the EU average in Germany and Poland. Slightly stronger increases have occurred in Denmark (26.5%), Holland (26.5%) and Spain (27.5%), while the Belgian market was up by over 30%.



UK pigmeat exports were flat year-on-year in March at 20,600t as a 1% fall in pork exports, to 19,050t, was offset by a 16% advance in sales of bacon & ham. During Q1 as a whole, UK exports of pigmeat fell by 2% to 56,000t, with pork sales down by 4% at 51,500t but cured shipments rising by 27.5%. UK exports were equivalent to around 26.5% of abattoir production in March, and 25.5% over Q1. These were up by around 0.5 and 1.5 percentage points, respectively, on last year.

China/HK remained the UK's largest pork export market in Q1 2017, taking a quarter of all shipments in March. While the Q1 total rose by 5% to 13,400t, March shipments to China/HK fell by 8.5% year-on-year to 4,750t. The largest European market, Germany, was the opposite to this, rising by 9% in March but down by 14% during Q1 at 8,250t. Meanwhile, sales to Ireland rose 2% in March and by 12.5% during Q1, and an increase in sales to Denmark in March brought its Q1 total in line with last year. However, Holland contracted throughout Q1.



HMRC trade figures continue to point to a considerable increase in imports of pigmeat to the UK during Q1 2017. The March total was reportedly 30.5% higher on the year, and at a 7-year high for the month, taking the Q1 total up 22.5% to 163,900t. Pork imports rose by 47% to 40,150t in March and were 36% higher during Q1 at 107,900t. Growth in imports of cured pigmeat was more muted at 6% in March and 2.5% in Q1. This meant that bacon & ham accounted for around 34% of pigmeat imports, down from 41% in Q1 2016.

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At 17,450t, 43.5% of the UK's pork imports during March came from Denmark. This was more than double March 2016 levels. During Q1, imports from Denmark rose by 91% to 45,500t. Germany was the second largest supplier with 6,100t in March and 17,200t during Q1. These were respective annual increases of 44.5% and 33%. Imports also increased from Holland, Spain, Ireland and Belgium, but declined sharply from France.

Imports of bacon & ham from Holland and Denmark were little different to 12 months before in March, accounting for respective shares of the monthly total of 41.5% and 34%. They were also similar to year earlier levels during Q1 as a whole. However, shipments from Germany showed growth, rising by 49% in March to take the Q1 total 11% above 2016 levels.

Feed Market

Feed wheat prices in North East Scotland have continued to lack direction in May. After a brief lift to £144/t at the turn of the month, prices have since settled back down to £138-139/t. This is marginally below their average level of £140/t over the past four months. Nevertheless, this has left prices trading 35-40% above year earlier levels. Global markets have been relatively stable with the USDA forecasting an increase in global wheat stocks as concerns over the US crop have been offset by strong prospects in the EU. For feed barley, prices have fluctuated slightly more this year than for wheat in North East Scotland. Barley prices dipped from £120/t at the end of March to £112/t at the end of April, but have returned to £120/t in May. This is around a quarter above last year's levels.

The downwards pressure on soyameal prices observed in March and April has continued into May. Prices for Brazilian imports slipped from around £340/t in February to £325/t in March, and £315/t in April, before slipping under £300/t in mid-May. Global soyabean production has been forecast to rise again this year, boosting inventories from already high levels, thereby pressuring prices. As a consequence, prices have now fallen behind 2016 levels by around 15% having been trading up by 25-30% during Q1.

News Round up

Following strong growth in the past couple of years, EU pork exports have begun 2017 on a high, rising by 12% year-on-year in January and February to 363,700t. China remained the largest market, growing in line with the overall total and accounting for an unchanged 38.5% of shipments. Japan was the second largest market, buying 51,000t, but exports to this market fell by 1% on the year, resulting in their share of the total sliding by two percentage points to 14%. However, a 40% expansion in trade with Korea, to 40,400t, saw this market's share of the total gain two percentage points to reach 11%. Other markets showing growth in the early part of 2017 included Australia, Taiwan, NZ, Cote d'Ivoire, Canada, Serbia, Singapore and South Africa, but sales to the US, Philippines, Montenegro, Malaysia and Vietnam contracted.

Spanish Government slaughter statistics for the opening two months of 2017 report further growth in the country's pig production. Slaughter numbers rose by nearly 2% year-on-year during the first two months of 2017, reaching 8.5m head. Carcase weights were stable at 89kg, resulting in a 2% rise in production to 756,450t. However, an increase of 2% indicates a slowdown in expansion given that abattoir throughput rose by 5% in 2014, 5.5% in 2015 and 4% last year.

On March 1 2017 there were 1.5% more breeding pigs on US farms than a year earlier, with numbers climbing to 6.068m head. Growth in slaughter pig numbers was even more significant, at 4.5%, taking the population to 64.908m head. This growth rate meant that there were an additional 2.76m slaughter pigs on US farms compared to 12 months before. However, expansion was not consistent throughout the country as the States with the third and fifth largest sow herds in March 2016 – Minnesota and Oklahoma – saw respective declines of 5.5% and 7% over the next year. By contrast, Illinois experienced an expansion of 8%, moving it into third place, while a 16% rise in Missouri brought it level with Oklahoma. The State with the largest sow herd, Iowa, saw a 2% expansion to 1m head, giving it 16.5% of the US total. In terms of the slaughter pig population, Iowa reinforced its dominance, with a growth rate of over 8% taking numbers to 20.8m head, 32% of the national total.

Wholesale pork prices rose briefly at the beginning of April in China but have since resumed a downwards trend. Prices have trended lower since the Chinese New Year was celebrated at the beginning of February. The Chinese Ministry of Agriculture reported an average wholesale price of 21.04 yuan/kg (£2.36/kg) in the second week of May. This was down by 3.5% on the month and by 15.5% from the early February peak. Furthermore, since the wholesale pork market had been on an upturn in May 2016, the year-on-year discount widened from 16% in mid-April to 21% in mid-May. With beef and sheepmeat prices declining more slowly, pork increased its competitiveness, falling from 41% to 39% of the wholesale beef price and from 47.5% to 45.5% of the wholesale sheepmeat price. Although pork remained significantly dearer than chicken, the margin narrowed from 63.5% to 59.5%.

Iain Macdonald – May 2017

QMS