



Monthly Market Report

November 2017

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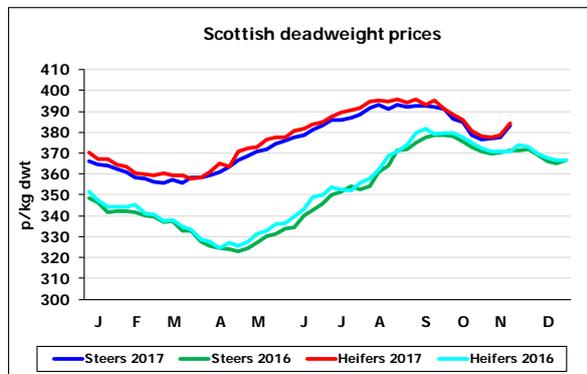
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MARKET REPORT - November 2017

Cattle

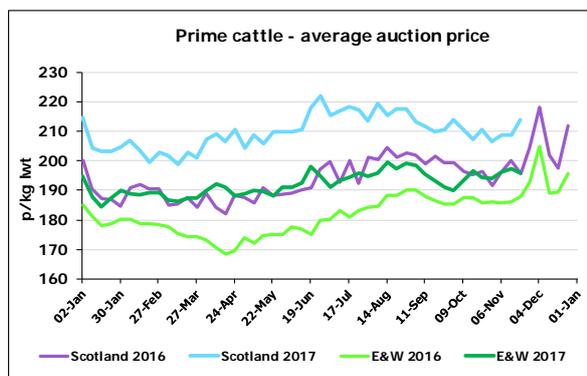
Prices and Supplies



Prime cattle prices fell significantly through October, with the average steer price dropping 14.5p/kg to end the month at 376.5p/kg dwt. The market then steadied as November began before picking up in the first half of the month, supported by rising seasonal demand. The week ending November 18 saw a particularly strong lift of 6p/kg, taking the average steer to a 5-week high of 383.5p/kg. Meanwhile, having lost 16p/kg during October, by the week to November 18, R4L grade steers had

risen 5p/kg from their low point, reaching 387p/kg. Given the more muted seasonal lift in November 2016, the year-on-year premium widened to an 8-week high of 3.5%. Volumes at price reporting abattoirs have risen seasonally, up 3% in the four weeks to November 18 compared with the preceding four-week period. However, they continued to fall short of 2016 levels, down 2%.

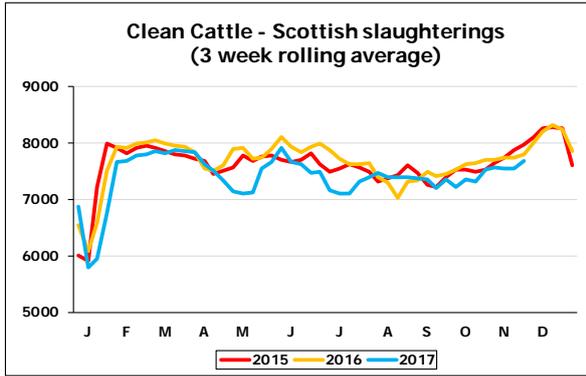
After opening October at 4%, the Scottish premium over England & Wales (E&W) for an R4L grade steer had halved by the end of the month. However, it recovered to 3% in the week ending November 18. During November, the -U4L grade steer price has gone from trailing the R4L grade to opening a 2-3p/kg premium. For heifers, the premium for a -U4L over an R4L widened from 6p in October to 8p in November.



The prime cattle average at Scottish auctions has followed an almost identical trend to last year. After cooling though August, September and October, prices edged higher in early November before lifting to a seven-week high in the week ending November 22. At 214p/kg lwt, the prime cattle average was at its second highest since the end of August and was 3.5% above its low point at the end of October. Compared to the same week last year, the market cleared 9% higher. During the four

weeks to November 22, marketings were 3.5% below the preceding four weeks and 11% lower than last year.

Slaughter statistics for October 2017 are based on a four-week statistical month for Scotland and Northern Ireland (NI), running from October 1-28. For England and Wales (E&W), slaughterings are based on the calendar month and have been adjusted for working days.



Provisional Scottish Government slaughter data for October indicates that although prime cattle slaughterings picked up seasonally on the month, they remained lower than in 2016. The average weekly kill rose by 3.5% from September to reach 7,550 head, but total slaughter was 2% below October 2016 levels, at 30,200 head. DAERA figures for NI showed a seasonal lift in slaughter between September and October, keeping volumes ahead of last year by 3% at 27,800 head. BCMS figures for

E&W show that the number of 12 to 30-month old cattle processed during October rose by 0.5% year-on-year.

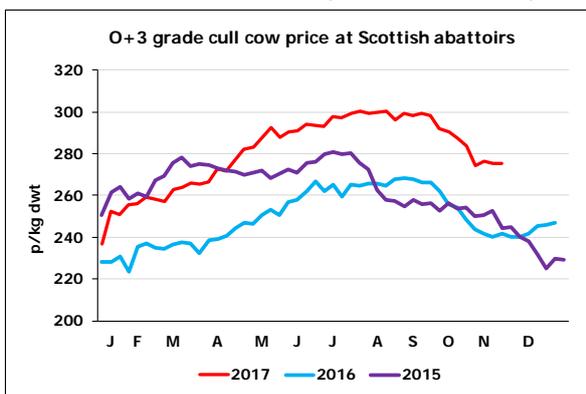
October slaughterings in Scotland fell relative to last year for the three categories of prime cattle. Steers fell at a slightly above average rate of 2.5% but the heifer kill was only marginally lower. Meanwhile, young bulls continued to drive the overall decline with a 19% month-on-month fall pulling numbers 10% below October 2016. Steers accounted for 53.9% of the prime kill in October, down from 54.3% in September and 54.1% in the same month last year. For heifers, their share rose to 40.6% from 38.5% in September and 39.8% a year ago. At 5.6%, the young bull share was 1.5 percentage points lower on the month and down 0.5 percentage points on the year.

Average carcass weights at Scottish abattoirs (kg)				
	Steers	Heifers	Young bulls	Prime Cattle
October 2017	370.5	334.9	348.3	355.1
September 2017	372.7	335.3	350.2	356.9
October 2016	373.2	334.7	343.6	356.3

The average prime cattle carcass weight at Scottish abattoirs fell seasonally in October and remained lower than last year, down 0.4% at 355.1kg. Weights for all three categories fell on the month, but only steers were lighter than in October 2016. Indeed, whereas the steer average fell by 0.7% on the year to 370.5kg (a four-year low for October), heifers were a fraction heavier at 334.9kg and young bulls were up 1.4% at 348.3kg.

Combining the provisional fall in throughput and carcass weights at Scottish abattoirs indicates that prime beef production fell around 2.5% short of year earlier levels during October.

During October, the average price paid by a Scottish abattoir for a prime steer carcass slipped to a six-month low of £1,414. However, it remained higher than last year by 1% as a 0.7% fall in carcass weights failed to fully offset a 2% rise in the farmgate price.



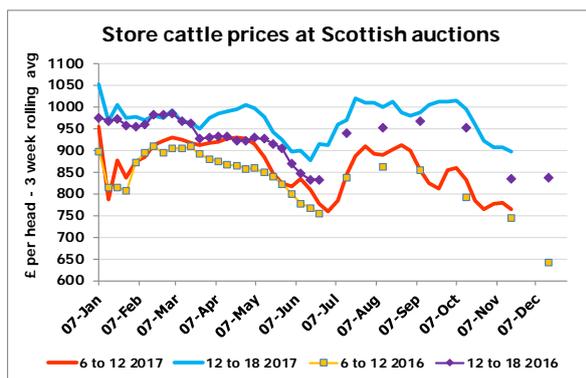
A seasonal increase in volumes placed downwards pressure on cull cow prices at reporting Scottish abattoirs in the final week of September and throughout October. This saw the O+3 grade price slip from 298p/kg dwt to 274p/kg. Moving into November, a further increase in volume has been absorbed

by the market and prices traded at 275-276p/kg. This was an annual premium of 14%.

After dropping by approximately 10p/kg lwt in October, the Scottish auction trade in cull cows has steadied around the 115p/kg lwt mark in November. This has left prices trading 20-25% higher than last year. Increased cull cow marketings have been absorbed by firm demand. In the week to November 22, dairy cows averaged 93p/kg and beef cows 120p/kg.

The average weekly mature cattle kill at Scottish abattoirs continued increasing seasonally in October, rising 8% over September to 1,800 head. Last year, the October average had showed a smaller increase of 5.5% over September. As a result, the year-on-year increase in throughput rose to 9% with abattoirs processing 7,200 mature cattle during the month. By contrast, October BCMS slaughter statistics for E&W point to an 2% decline in over-30-month cattle throughput compared to last year. According to DAERA, a month-on-month lift meant that NI abattoirs processed 1.5% more mature cattle during October than twelve months before.

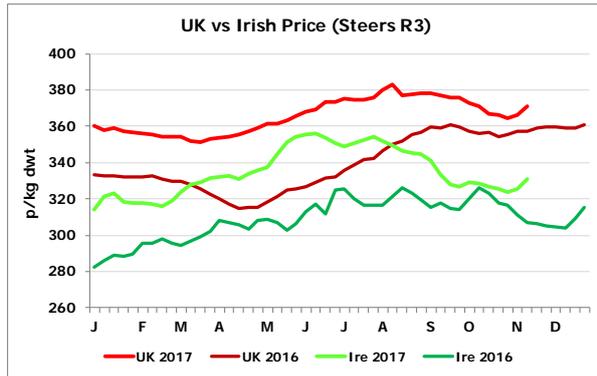
October was the 29th time in 30 months that the average cow carcass weight was lighter than a year earlier at Scottish abattoirs. It was down 2kg (0.6%) at 327.3kg. However, cow carcasses were slightly heavier, on average, than they had been in September, contrasting with a 1% fall between September and October 2016.



Store cattle prices have followed a similar trend to last year this autumn, cooling in October and November. During the three weeks to November 18, 6-12-month steers were sold for an average of £765, with 12-18-month steers trading at £858. Compared to the average price paid during October, these were seasonal falls of 1.5% and 6%, respectively. However, store cattle were dearer than in November 2016; by 2.5% for weaner steers and 7.5% for yearlings. In mid-

November, marketings in the two categories slumped to their lowest total since the end of August and were just a quarter of their mid-September to mid-October average.

The latest household purchasing data from Kantar Worldpanel indicates that 70% of GB households bought beef during the 12 weeks to October 8, unchanged on the year. Whereas rising retail prices had previously acted as a barrier to sales volume growth, a 5% lift in spending on beef translated into a 1% increase in the volume retailed. The average retail price was 4% above year earlier levels at £7.90/kg, largely driven by a 7% increase for mince. Price increases for roasts, stewing beef and steaks were a more muted 1-3%. Despite the sharp rise in the cost of mince, households bought slightly more of it while there was a 17% increase in sales of stewing cuts. By contrast, roasts declined by 6.5% and steaks were slightly less popular than twelve months before. Except for a heavy 9% decrease in sales of burgers, sales of processed products continued to show strong growth in the 12 weeks to October 8. There were 4% gains for chilled ready meals and frozen steak pies, plus double-digit increases for fresh steak pies, pasties and frozen ready meals.



Irish cattle prices fell back in the first half of October before stabilising towards the end of the month. After holding steady in the first week of November, they then picked up for two weeks with the R3 grade steer trading at a 7-week high of €3.71/kg (331p/kg) in the third week of the month. A relatively stable exchange rate has meant a similar price trend has been followed in recent weeks when Irish prices are quoted in sterling. However, in the second half of November last year, the euro

had weakened around the time of the resignation of the Italian Prime Minister. As a result, a year-on-year increase of 4% in euro terms converts into an 8% increase in sterling. Apart from a short-lived widening in late September, the Scottish premium over the Irish average for an R3 steer has been running at 17-18% for nearly three months.

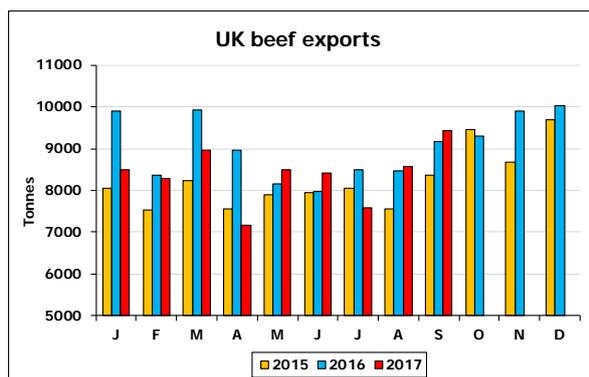
The EU average for an R3 grade young bull continued to edge higher in the month to November 19. Prices were nearly 1.5% higher than they had been in the week ending October 22, averaging €3.94/kg dwt (352p/kg). This movement was underpinned by a 3% lift in Germany, with prices rising at a slightly above average pace in Spain, Italy and Poland, but slightly below average rate in France, the Irish Republic, the UK and the Netherlands. This below average increase for the UK left it trading only 1% above the EU average. Sweden was an exception, with prices slumping 5.5%.

The R3 grade young bull average for the EU was 6.5% higher year-on-year in the third week of November. A number of the major beef producing nations had above average increases. These included Germany (9%), France (10%), Poland (11%) and the Netherlands (16%). Prices were also significantly higher than last year in Belgium, Ireland, Italy and Spain, up 3-6%. However, the UK increase was a more muted 1.5% in euro terms, while the Swedish average trailed its year earlier level by 3.5%.

EU cow prices continued to face seasonal headwinds in November, leaving the average O3 grade 0.7% lower on the month, at €2.94/kg (£2.62/kg) in the week ending November 19. In contrast with the overall average, prices edged higher in Belgium and the Irish Republic, and were 1-1.5% higher in Spain, Poland and the Netherlands. However, euro terms prices fell slightly in the UK and Italy, and were 1.5-2% lower in France, Germany and Sweden.

Despite edging lower on the month, the EU average for O3 grade cows remained well above 2016 levels, trading up 12% in the third week of November. Sweden was an exception, trading 3% lower, while Spanish (+3.5%) and French (+7%) prices rose more slowly than the average. Elsewhere, there were double-digit euro terms gains for producers, led by Poland (+21.5%) and the Netherlands (+23.5%).

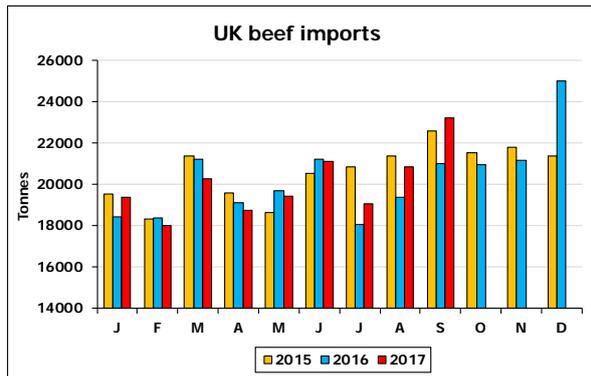
Regional price comparison			€1 = £0.894
w/e 19/11/17	Steer R3 (p/kg dwt)	Heifer R3 (p/kg dwt)	Cow O3 (p/kg dwt)
Scotland	386.8	387.4	269.4
E & W North	369.7	370.2	258.9
E & W Central	371.5	377.1	268.8
E & W South	374.7	372.3	259.8
NI	359.7	357.3	274.5
RoI	331.0	342.2	279.5
France	324.9	348.1	283.9
Germany	355.1	338.6	270.7
Holland	n/a	266.9	266.0
Spain	n/a	364.0	195.8
Poland	n/a	292.7	261.3
Italy	n/a	374.8	260.2
Sweden	411.6	396.5	358.4
EU28	351.2	347.4	262.1
USA (26/11)	312.7 (steer)	313.5 (heifer)	191.1 (Cutter – 90% lean & >225kg)
Australia (21/11)	329.3 (EYCI – steers & heifers)		262.1 (medium cow)



Provisional trade data from HMRC suggests that UK beef export volumes exceeded 2016 levels for the fourth time in five months in September. Volumes increased by 3% to 8,450t; their highest level of the year-to-date. However, during the third quarter of 2017 (Q3) as a whole, UK beef exports fell by 2% to 25,600t.

UK beef exports to EU countries during September were 1% higher than last year at 8,500t. This was also their highest monthly volume of 2017. A surge in shipments by 50-60% to Belgium, France and Germany more than offset declines to the two largest markets of Ireland and the Netherlands. Trade with Ireland was down 5% at 2,700t while shipments to the Netherlands fell by 11% to 2,300t.

Deliveries to non-EU markets accounted for 10% of monthly exports in September, their lowest of 2017, but up slightly on last year. Although the UK exported its smallest volume of beef so far this year to non-EU countries in September, trade continued to exceed 2016 levels, up a fifth at 950t. This was the 20th successive month of year-on-year growth. 62% of non-EU exports went to Hong Kong, with sales to this market doubling from September 2016.



September was the third consecutive month to show increased beef imports to the UK relative to 2016. Volumes rose by 10.5% to 23,200t, which was their highest of 2017-to-date and pushed quarterly volumes to 63,100t, 8% above Q3 2016 levels. Fresh beef deliveries grew slowly, up 1.5% at 15,400t, while frozen product surged by more than a third to 7,800. This quantity of frozen beef was the highest for any month since March 2008. As a result, fresh beef fell to less

than two-thirds of total imports, compared with 72% in September 2016.

The growth rate in imports of beef to the UK from EU countries continued to pick up in September, rising to 12.5%. As a result, import volumes reached a 2017-high of 21,800t and accounted for 94% of monthly imports. Deliveries from Ireland rose at an above-average pace of 14% and reached 17,100t; 73.5% of the total brought in from the EU. A year earlier, the Irish share had been two percentage points lower. Imports from the third largest supplier, Poland, also increased significantly in September, up by a fifth at 1,250t, but 11% less beef came in from the Netherlands, with volumes slipping below 1,400t.

The UK's beef imports from outside the EU dipped back slightly in September from the previous month, but, at 1,400t, were at their second highest of 2017. Nevertheless, they remained lower than last year, down 14%. Whereas deliveries from Brazil, Argentina, Uruguay, Namibia, Australia and NZ fell sharply, there was a large increase from Paraguay (from a low base) and deliveries from Botswana more than doubled to 510t.

News Round Up

The four weeks to November 11 saw continued year-on-year growth in prime cattle slaughterings at Irish export abattoirs. At 110,700 head, numbers rose by 9% from the same period in 2016. However, while volumes were 8.5% ahead of their weekly average for the year-to-date, they did fall by 6% on the preceding four-week period. This was the same seasonal change as 2016. This dip back in throughput is likely to have been one factor behind the upturn in farmgate prices in November. With steer processing numbers rising at a below average pace relative to last year of 5%, their share of the prime kill dropped from 58% to 56%. By contrast, the share of heifers and young bulls advanced by a percentage point to 31% and 12% of the prime kill, respectively, due to throughput increases of 13% and 20%. Compared to the preceding four weeks, there was a considerable shift towards heifers and young bulls from steers. Indeed, during the four weeks to October 14, steers had accounted for 62.5% of numbers, heifers 29.5% and young bulls 8%. In contrast to Scotland, Irish young bull volumes peak over the winter.

For Q3 2017, slaughter statistics for fifteen EU Member States are currently available from Eurostat. Collectively, they reported a decline of around 2%. With carcass weights little different at an average of 315kg, production also fell by approximately 2%. In France, the largest beef producer in the EU, slaughterings declined by 2% to 1.125m head while overall production fell by 2.5% to 352,600t as the average carcass weight was 1.5kg (0.5%) lighter at 313.5kg. Production also fell significantly in Germany. Abattoir throughput there was 4.5% lower at 837,000, but a 1% lift in the average carcass weight to 319kg limited the decline in beef output to 3.5%, with 267,000t being produced.

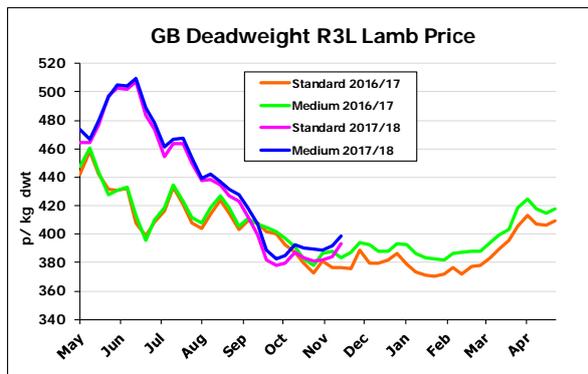
October was the fifth successive month in which Brazil's beef export volumes exceeded 2016 levels. At 119,100t, volumes were up 43%, following a 32% surge during Q3. With volumes declining sharply between February and May, recent growth was sufficiently strong to push year-to-date exports 8% above 2016 levels at 982,800t. As well as fresh beef, other beef export categories performed well in October with processed beef up 7% at 8,000t; offal up 39% at 9,550t; casings up 27% at 2,500t; and salted beef showing a six-fold increase to 530t. During the first ten months of 2017, Hong Kong was the largest export destination for fresh product, taking 194,500t. This was up by a quarter year-on-year and accounted for a fifth of exports. China was the second largest market, on 166,300t, and this was 26% higher than last year. Iran also bought considerably more Brazilian beef with volume shipments rising by 51% to reach 106,700t while sales to Russia rose by 9% to 120,200t. By contrast, exports to Egypt contracted by a quarter to 118,900t and deliveries to Chile were down by 15% at 48,200t. Economic and political problems in Venezuela may help explain why Brazil's exports there were almost wiped out, slumping to less than 1,000t compared with 21,000t in the first ten months of 2016. Shipments of higher value cuts to EU countries were generally slightly lower than in 2016.

The Australian cattle cycle began to turn in June 2017 with slaughter numbers returning to year-on-year growth following a period of considerable contraction. Indeed, adult cattle throughput had fallen by 11% in the first five months of the year to 2.85m head, but then picked up by 6.5% in June. During Q3, slaughterings then lifted by 12% on a year earlier to reach 1.92m head. Carcase weights also increased strongly, averaging 8kg (3%) heavier at 296.8kg, pushing beef production up by 15% to 570,850t. With herd rebuilding underway, the female share of slaughter fell from 47.5% in Q3 2016 to 46% in Q3 2017. This lower proportion of female cattle in the slaughter mix will have made a partial contribution to the lift in average carcase weight. Looking forward, MLA is forecasting that a rising cattle population will push up slaughter by 5% next year; though carcase weights are expected to drop back, meaning production should rise more slowly.

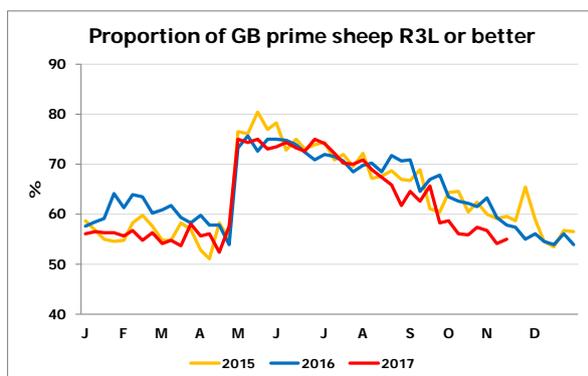
As October began, the USDA estimates that there were 10.81m cattle on US feedlots. This was a year-on-year increase of 5.5%. During the month, which has historically been the largest for new placements on US feedlots, 2.39m cattle arrived, up 10% from a year earlier. Meanwhile, October marketings rose by 5.5% from 2016 to reach 1.8m head. Although 'other disappearance', which includes mortality, rose significantly, the November 1 population of 11.33m head was an annual increase of 667,000 head, or more than 6%. The November 1 population rose seasonally and year-on-year across the country. In the three states with the largest feedlot populations, Kansas, Nebraska and Texas, numbers rose by 2%, 8.5% and 6%, respectively, to reach 2.29m, 2.52m and 2.64m. Collectively, these States accounted for almost two-thirds of the national total.

Sheep

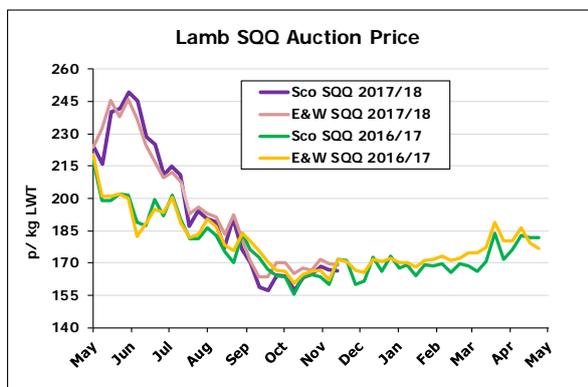
Prices and Supplies



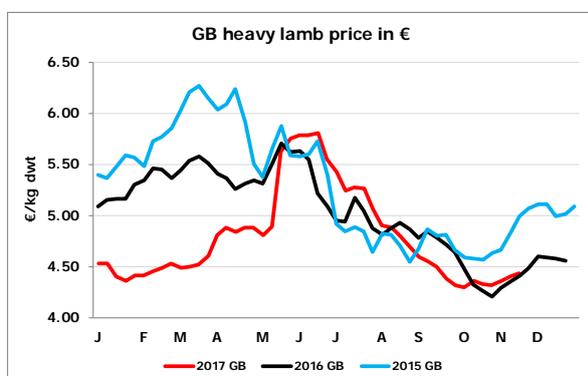
After eight weeks averaging between 380p/kg and 390p/kg dwt at price reporting GB abattoirs, SQQ¹ prime lamb prices firmed to 396p/kg in the week ending November 18. This lift came despite a jump in volumes to their second highest of the 2017/18 season-to-date, suggesting robust demand. Standard lamb carcasses averaged 382p/kg dwt and medium carcasses 398.5p/kg. However, there was a much smaller premium of 5p/kg for a medium R3L carcass over a standard R3L.



Having fallen heavily in September, the proportion of lambs grading at R3L or better eased more slowly in October and the first half of November. The proportion fell from 63% in September to 57% in October and then edged down to 55% in the three weeks to November 18. This was three percentage points lower than in the same period last year, down from a 6-point gap in October.



During October the auction trade in prime lambs was relatively stable, with prices averaging 163-164p/kg lwt in four out of five weeks. The other week, a jump in marketings lowered prices to 157p/kg. Moving into November, prices lifted slightly to 168p/kg, despite rising marketings, before easing marginally in the next two weeks. This left the average price for an SQQ lamb at 167p/kg in the third week of the month. Having generally been level or slightly ahead of 2016 levels since the beginning of October, prices fell 3% behind last year in the third week of November. Prices varied significantly across the weight ranges with 32.1-39kg lambs averaging 155p/kg, 39.1-45.5kg lambs averaging 169p/kg and heavy 45.6-52kg lambs trading at 162p/kg.



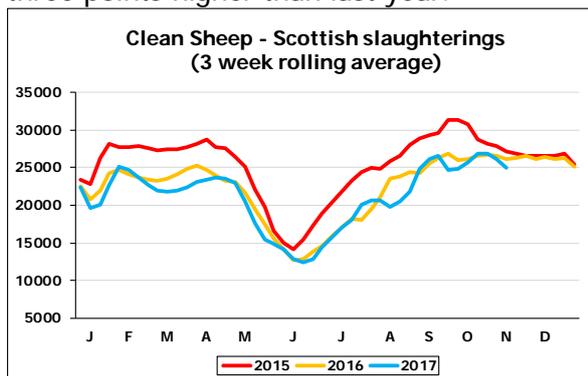
With the sterling exchange rate and GB farmgate lamb prices trading at similar levels to last year in October and early November,

lamb prices returned close to 2016 levels in euro having run significantly lower through August

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.

and September. As a result, GB lamb remains price competitive on the continent, particularly when compared against two years ago when GB farmgate prices were around 11% higher in euro, but the producer was being paid 13% less in sterling.

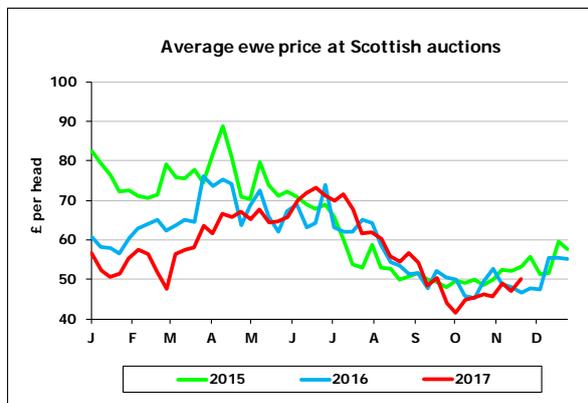
GB auction market data for the four weeks ending November 23 shows that slightly fewer new season lambs were marketed than during the corresponding period last year. Total numbers fell by 1% to 454,800 head. However, within this total, the Scottish numbers showed a strong increase, rising 8%. The proportion of lambs weighing between 25.5kg and 45.5kg fell further towards its seasonal low point at GB auctions, slipping to 71% compared with 73% in the four weeks to October 25. However, this was three percentage points higher than last year. At Scottish auctions, the proportion fell by 1.5 percentage points to 66% and was also three points higher than last year.



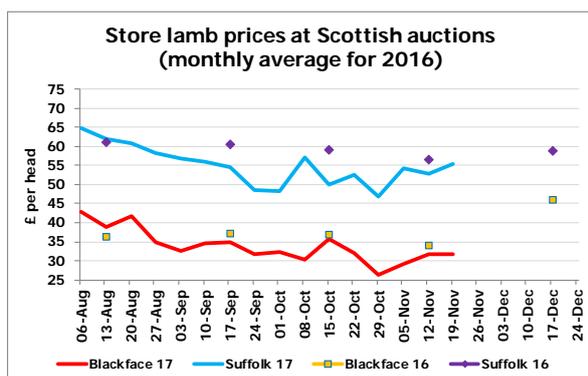
Provisional Scottish slaughter data for October indicates that weekly lamb throughput rose by 5.5% on the month. However, this was not enough to return monthly slaughter volumes to year earlier levels, with numbers down 1% at 105,600 head. Prime sheep throughput at NI abattoirs eased slightly on the month in October but was up by 3% year-on-year.

At 20.1kg in October, the average prime lamb carcass weight at Scottish abattoirs was up a fraction on the month, though down marginally on last year.

Small falls in slaughterings and carcass weights relative to a year earlier in October indicate that prime sheepmeat production at Scottish abattoirs decreased by 1% year-on-year.



Cull ewe prices at Scottish auctions have rebounded from their low point at the beginning of October, surpassing the £50 a head mark for the first time in nine weeks during the third week of November. Marketings have been relatively stable since the beginning of October, averaging at just over 7,000 head per week so the lift in price may reflect a seasonal improvement in demand. Compared to 2016, prices averaged 2% higher in the first three weeks of November, on a volume 27% higher.

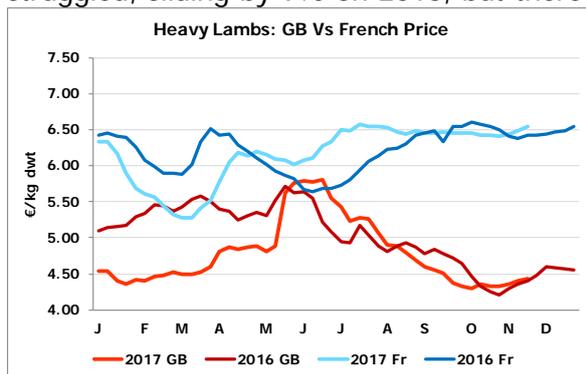


Cull ewe auction volumes in E&W totalled 127,350 head in the four weeks to November 22. This was 5.5% lower than in the preceding four-week period, but fractionally higher than in the same period last year.

Although store lamb values have recovered from their low point at the end of October, prices continued to trail 2016 levels in the third week of November. The average price paid

for a Blackface store lamb was fractionally lower than in the previous week, at £31.79 in the week ending November 18, while Cheviot lambs traded at a 14-week high of £50.39. Texel and Suffolk stores edged up to £54.93 and £55.42, respectively, and were last higher than this in early September. Recent increases may reflect a seasonal drop in marketings, which have slipped to their lowest level since early August.

Kantar Worldpanel indicates that 31% of GB households bought lamb during the 12 weeks to October 8, compared with 32.5% a year earlier. The volume of lamb retailed continued to trail 2016 levels with volumes down 4%. However, this compared favourably against a 10% decline over a 52-week period. With the average price of lamb up 3.5% at £9.11/kg in the 12-week period, households spent slightly less money buying it. Lamb chops/steaks struggled, sliding by 9% on 2016, but there were much smaller declines of around 1.5% for



roasts. By contrast, mince became more popular, rising by 4% despite an 8% price increase. Lamb-based ready meals fell by 13%.

At €4.88/kg (£4.37/kg) in the week ending November 20, the EU average price for heavy lambs² was up 1.5% on the month, largely reflecting seasonal movements in the British Isles and France. Indeed, the GB average was 2.5% higher on the month, with the French

price up 2% and gains for producers in NI and the Irish Republic amounting to 3.5%. The Cypriot and Romanian averages also showed an increase, rising 4-4.5%. By contrast, prices fell by 1-3% in Belgium, Germany, Spain, the Netherlands and Croatia. Sweden showed a more significant decline of 9.5%.

The EU heavy lamb average remained above 2016 levels in the third week of November. An overall increase of 4% was underpinned by a 10.5% increase in Spain. Elsewhere, the gains were more muted at 0.5% in GB, 1% in the Netherlands, 2% in France, 3% in both Germany and the Irish Republic, and 5.5% in Sweden. By contrast, prices were 2-3% lower than last year in Belgium, NI and Cyprus, and down 6% in Romania.

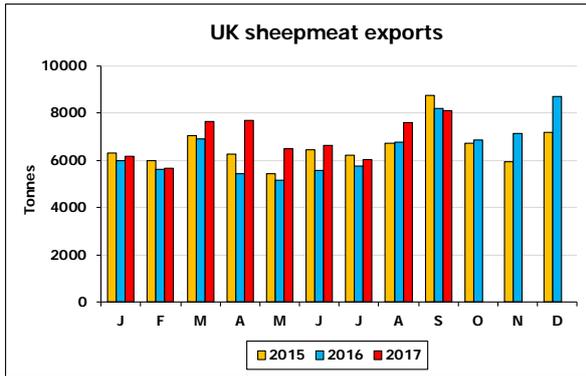
Having risen through July, August and September, the EU light lamb³ average has slipped back since mid-October, dropping to a 10-week low of €6.03/kg dwt (539p/kg) in the week ending November 20. This was down by 2% on the month. A falling average reflected Spain's 2% fall to €6.73/kg (£6.01/kg), but values were also lower in Greece and Croatia, by 7-8%. However, Bulgarian and Portuguese prices were flat and there was a 5.5% increase in Hungary.

With Spanish prices trailing 2016 levels by 14.5% in mid-November, the overall EU average for light lambs fell 3% short of a year earlier. The Spanish decline was partially offset by gains for producers in Hungary (1%), Portugal (1%), Bulgaria (1.5%), Greece (5%) and Croatia (17.5%).

Provisional September trade data from HMRC suggests that although UK sheepmeat exports reached a year-to-date high of 8,100t in September, they fell 1% short of 2016 levels. If this figure is not revised higher, it would be a seven-year low for the month and would be the first

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

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

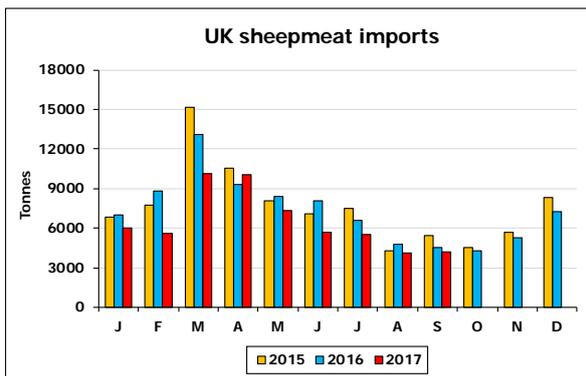


time since September 2016 that exports failed to increase relative to a year earlier. Due to increases in July and August, UK exports of sheepmeat rose by 4.5% year-on-year during Q3 to 21,700t.

Provisional data suggests that UK sheepmeat exports to the EU in September were 2% lower than last year at 7,650t. Nevertheless, this was the highest of 2017-to-date and accounted for 95.5% of the monthly total.

Deliveries to the UK's largest export destination, France, were reportedly 6.5% lower than last year at 4,400t. This was the highest monthly volume delivered to France in 2017 and, at 54.5%, was the country's highest share of total sheepmeat exports in 2017. The Netherlands was the other principal market to report a decline, down 35% at 275t. However, exports to the second largest market, Germany, rose by 6.5% to 1,150t, while trade with Belgium, Ireland and Italy also grew. The average value per tonne shipped to the EU fell by 1% year-on-year to £4,460/t.

UK sheepmeat exports to non-EU countries rose by nearly one-third on 12 months before in September, reaching 430t. Once again, more than two-third of this volume was destined for Hong Kong, with shipments there rising 61% to 295t.



Sheepmeat import volumes were at a six-year low of 4,200t in September and were down by 8% on last year. September was the twelfth month in thirteen to show a year-on-year contraction. During Q3, the UK imported 13,800t of sheepmeat, down 13% on 2016.

2,650t of sheepmeat was brought into the UK from New Zealand (NZ) in September. With this being down by an above average rate of 12%, the NZ share of imports eased by three

percentage points to 63%. Tight supply and farmgate price inflation in NZ continued to force up the average value per tonne of imports from NZ, which rose 40% on last year to £5,100/t. However, this average value was also underpinned by a small shift in composition away from frozen sheepmeat towards fresh product, plus a shift within frozen sheepmeat from boneless to bone-in cuts. In contrast to NZ, imports from Australia rose relative to last year for a third month, up 15% at 695t, raising its market share by three percentage points to 16.5%. Product arriving from Australia was significantly dearer than last year. There was also a lift in imports from Ireland, which rose by 23% to 520t.

News Round up

During the four weeks to November 18, lamb throughput at Irish export abattoirs increased by 12% relative to last year, reaching 209,800 head. This reflected an upturn in weekly kill from the preceding four weeks at a time when volumes have traditionally fallen back. Numbers rose by more than 2.5% from the previous four weeks compared with a 2% fall at the same time in 2016. Between 2013 and 2015, the seasonal slide at this time of year had been even more significant, averaging 17%. Since the start of June, 7% more lambs have

been processed than last year at Irish export plants, compared with a 2.5% increase in lamb crop reported in the June census.

The total volume of sheepmeat available for consumption within France exceeded year earlier levels during the first five months of the year, rising by nearly 2%. However, between June and August, consumption volumes decreased by 4% to 41,700t. In part, this reflected lower domestic production with slaughter numbers and sheepmeat output also sliding by 4%, but imports also contributed, decreasing by 3%. Between June and August, France imports more live sheep than it exports, but this year the level of net imports fell back from 38,000 head to 35,100 head; a decline of 7.5%. This fits with a picture of weak domestic demand.

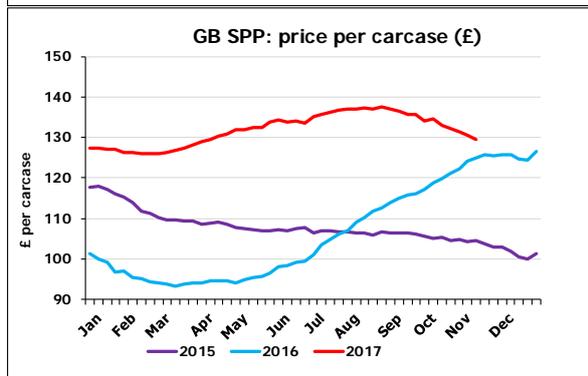
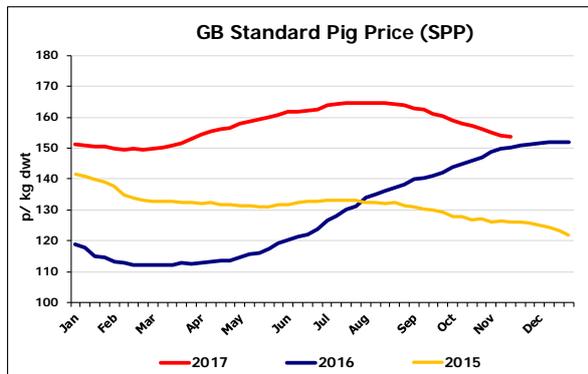
Statistics NZ export data indicates that NZ sheepmeat exports opened the October 2017 to September 2018 season strongly, advancing by 17.5% year-on-year in October to reach a 9-year high for the month of 20,900t. This reflected a 21% year-on-year increase in lamb slaughter plus a 2% increase in carcase weights, pushing lamb production volumes 23.5% above October 2016 levels; though some of these increases may have reflected a greater carryover of hogs. Mature sheep production volumes also rose by more than a fifth in October. October was the third month in four to show export growth and followed a 4.5% annual increase to 55,900t during Q3 (note that UK trade data indicated a 24% contraction in imports from NZ during Q3). However, during the whole of the 2016/17 season, export volumes contracted by 2.5% to 375,800t; their lowest since 2011/12.

Strong export sales help explain why farmgate prices in NZ have continued to trade well above year earlier levels in the opening weeks of the 2017/18 season. In late November, the price for a 17kg lamb carcase on the North Island was 30.5% dearer than a year earlier at NZD 7.30/kg dwt (377p/kg), while South Island prices were 34.5% higher than last year at NZD 7.25/kg (375p/kg). When converted into sterling, prices were 20.5% and 24% respectively higher than in the same week last year. This reflects a fall in the value of the NZ dollar following a change in government in October.

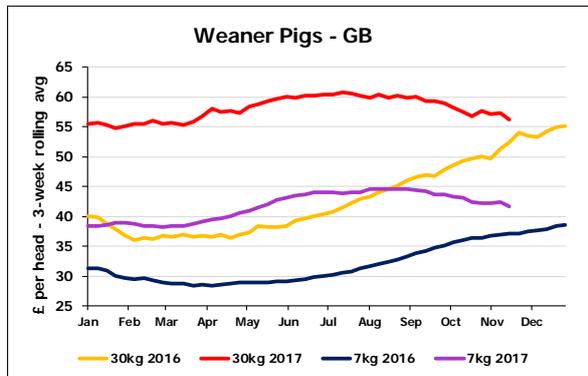
Australian abattoirs processed 5.5m lambs during Q3 2017. Relative to the same period last year this was an increase of 7.5%. Furthermore, with the average carcase weight up by 0.8kg (3.5%) at 22.6kg, lamb production rose at an even faster rate of 11.5% to reach 124,250t. Meanwhile, mature sheep production also showed a significant expansion, surging by 30% to 47,950t. Given these conditions, the lack of a fall in farmgate lamb prices during the autumn, which had occurred in the previous two years, suggests firm demand for sheepmeat.

Pigs

Prices and Supplies



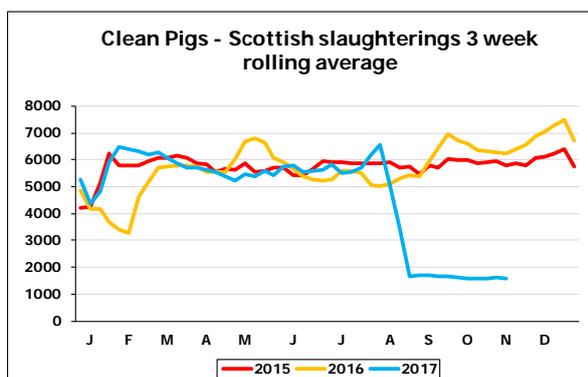
eased back a touch. An average carcass weight of 84.3kg in the third week of November meant that a prime pig carcass traded at £129.50. This was a year-on-year increase of 3%.



A return to their historical seasonal pattern in 2017 has seen prime pig prices continue to slide in November. The week ending November 18 was the 15th time in 16 weeks that the GB Standard Pig Price (SPP) fell. This saw the SPP drop below 154p/kg for the first time since the end of March, reflecting rising production. Indeed, rising slaughter and carcass weights meant that production at reporting abattoirs was 12% higher in the first three weeks of November than in the first three weeks of August. Over this period, prices have fallen 11p/kg (6.5%). With prices on a rising trend in the autumn of 2016, the year-on-year premium narrowed to less than 2.5% in mid-November.

As noted above, carcass weights have risen seasonally and this has limited the fall in the overall value of a prime pig carcass to 5.5% since mid-August. However, weights do seem to have peaked in October and have since

Weaner prices have also been falling this autumn, though at a slower pace than finished pig prices. From £43.18 in the second week of October, the three-week rolling average for a 7kg weaner average had slumped to a 6-month low of £41.71. Meanwhile, the three-week rolling average for a 30kg weaner fell from £57.49 to £56.32 over the same period. At this level, they were 12% and 4% higher than last year, respectively, and 32% and 43% of the price of a finished pig carcass.



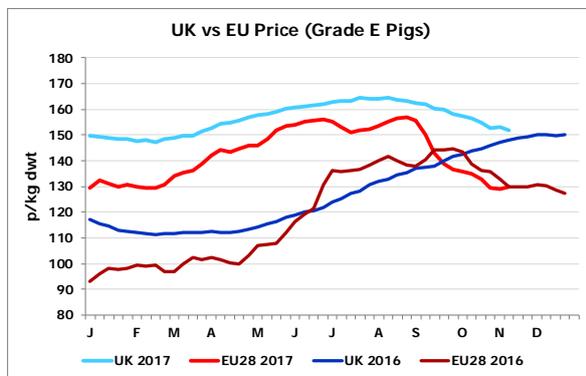
With Brechin abattoir remaining out-of-use for a third month in October, prime pig throughput at Scottish abattoirs continued to be very low. 6,400 pigs were processed during the month at a weekly average of just over 1,600 head. Processing resumed at Brechin in mid-November.

With the cross-border movement of Scottish-born pigs for slaughter continuing to underpin prime pig throughput at E&W abattoirs in

October, numbers edged above 2016 levels. At 741,450 head, slaughter rose by 0.5% after adjusting for working days, having been around 1% lower in August and September. Meanwhile, the sow kill in E&W abattoirs trailed 2016 levels for the eighth time in 2017, down 12.5%. DAERA figures show that, at 143,300 head, NI slaughter plants processed 12% more prime pigs than in the same month last year. This was driven by a lift in processing of imported pigs by almost a third, meaning that they accounted for 28.5% of total slaughter compared with 24% a year earlier. NI-born pig slaughter grew by 5.5% on last year.

Prime pig carcase weights showed a seasonal increase between September and October at UK abattoirs, rising 0.6kg to 85.1kg. This was a year-on-year increase of 4% and set a new record high. UK carcase weights have closed the gap to the EU average this year, going from 92.5% of the EU average in Q3 2016 to 95% of it in Q3 2017.

During the 12 weeks to October 8, Kantar Worldpanel estimates that almost half of GB households bought pork, with the proportion rising marginally from the same period last year. Despite the average price exceeding its year earlier level by 7% at £4.73/kg, households spent 10.5% more money on pork and bought a 3.5% higher volume than 12 months before. Although households bought less each time they shopped, they bought pork more frequently. A breakdown by cut shows that the volume of loin roasts retailed rose slightly, while there was a 3% increase for pork chops/steaks and a 30.5% jump in leg roasts. However, shoulder roasts continued to decline in popularity with sales down by 11.5%. Over the past year, processed pork products have tended to show sales growth, but performance was more mixed in the 12 weeks to October 8. Whereas pork pies and bacon showed respective annual increases of 1% and 4%, there were marginal declines for sliced cooked meats and pork sausages plus an 11% decrease in sausage rolls.

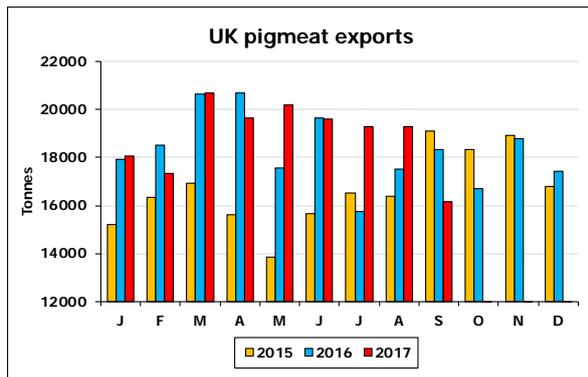


Seasonal pressure resulted in a 4% monthly fall in the EU average farmgate price for a grade E pig, leaving it at €1.45/kg dwt (130p/kg) in the third week of November. However, nearly all of this decline occurred in late October, with the market edging only a fraction lower since the beginning of November. With UK prices continuing to slide in euro terms, the UK premium over the EU average narrowed slightly from its late-October peak, but remained elevated at 18%.

Compared to a month earlier, pig prices were generally 3-4% lower in the main EU pigmeat producing nations in mid-November. This included Belgium, Denmark, Germany, France, the Netherlands and Poland, with an even stronger 9% decline in Spain. The UK average was 2% lower on the month in euro terms.

Further falls in EU farmgate pig prices in late October ensured that pig prices remained lower than last year in mid-November. On average, the grade E price was down by 3.5%. In Denmark and the Netherlands, prices have fallen in line with the EU average while the Polish price fared slightly better for the producer, down 2%. However, there were more significant annual shortfalls of 5% in Germany, 7% in Belgium, 8.5% in France and 10.5% in Spain. The UK price was unchanged in euro terms.

Provisional trade statistics indicate that UK pigmeat export volumes slumped to a seven-year low for the month of September. At 16,150t, they were 12% lower than last year. However,

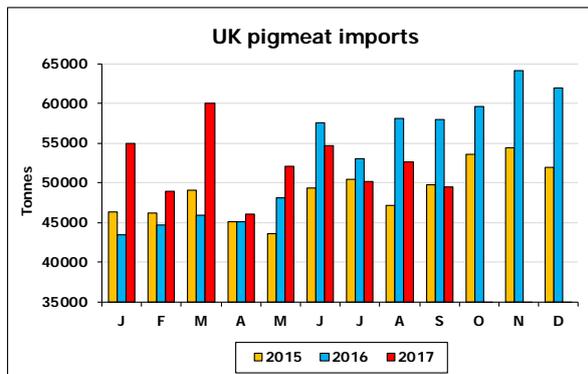


during Q3, export volumes did rise by 6% to a total of 54,750t. Within the September pigmeat export total, fresh and frozen pork fell 12% to 15,100t and shipments of bacon & ham showed their first monthly decline of 2017, down 9.5% at 1,050t.

China/HK has been the UK's largest pork export market in 2017, and, at 3,800t, accounted for 25% of all pork exports in September. However, this was the smallest

monthly volume of 2017 and was only 1.5% higher than last year. The main EU markets diverged with Germany and Denmark up, by 4% and 21.5% respectively, at 2,900t and 2,700t, whereas provisional data for Ireland and the Netherlands is indicative of sharp declines.

UK pigmeat imports decreased relative to last year for the fourth consecutive month in September. The rate of decline also continued to pick up, reaching -14.5% with volumes totalling 49,500t. Pork volumes slipped by 9.5% to 33,700t while bacon & ham decreased by 23.5% to 15,750t. This meant that the share of imports accounted for by cured product fell from 35.5% in September 2016 to 32% this year. During Q3 2017, pigmeat imports to the UK trailed 2016 by 10% at 152,300t.



Although Denmark remained the UK's largest pork supplier in September, shipments trailed 2016 levels for a fifth month, contracting by 17.5% to 12,700t. This was 37.5% of imports. Imports from Belgium, the Netherlands and

Spain also decreased significantly from a year earlier, down by a respective 6%, 11% and 23.5%. These declines were partially offset by higher deliveries from Germany (2%), Ireland (5%) and France (13%).

The Netherlands supplied 40% of UK cured pigmeat imports during September. However, volumes arriving from the number one supplier were at their lowest in fourteen months and trailed 2016 by 10.5%. Imports from Denmark also contracted relative to last year, more than halving to 4,400t, but, at 3,600t, Germany delivered a 26% larger quantity.

Feed Market

Feed wheat and barley prices in North East Scotland have been relatively stable throughout much of 2017, trading at around the £140/t and £120/t levels, respectively. In mid-to-late November, prices were around their annual average for wheat, but picked up to £124-125/t for barley. At this level, prices were around 10% higher than last year, reflecting a tighter balance between grain supply and demand in the UK. At the global level, strong US and Black Sea wheat harvests have been pressuring prices and EU exports have struggled to compete with Russia and Ukraine.

Concerns about dry weather in the US and Brazil pushed up price of imported soyameal in October. However, these pressures eased towards the end of the month and prices have since settled at around the £300/t mark. In recent weeks, prices have been trading at an

annual discount of 8-10%, reflecting an increased global soyabean harvest and a stronger sterling against the US dollar.

News Round up

Two Northern Irish abattoirs – Karro at Cookstown and Cranswick at Ballymena - and two cold stores have begun to export pigmeat and related fifth quarter products to China following a lengthy approval process. Chinese food safety authorities initially carried out inspections of the plants back in April 2015 and the approval to trade was finally granted in August of this year. There then followed three months of waiting for the Chinese authorities to formally list the approved premises on their websites.

Fifteen EU Member States have had Q3 2017 pig slaughterings published by Eurostat. Across these countries, total slaughter fell by just under 2%, with a 0.6kg (0.5%) lower average carcase weight (88.8kg) meaning that pigmeat production was 2.5% below Q3 2016 levels. Of the main pigmeat producing countries on the continent, Belgium, Denmark, France and Germany have reported Q3 figures. In Belgium, slightly fewer pigs were slaughtered than 12 months before, but increased carcase weights gave a small boost to production volumes, which climbed to 253,400t. Germany also saw an expansion in production as increases in slaughter and carcase weights of around 0.5% combined to push pigmeat output almost 1.5% higher to 1.384m tonnes. By contrast, French production fell by around 0.5% to 536,100t as an increase in carcase weights was unable to offset a 1.5% decline in throughput. Denmark saw a more significant contraction with slaughter falling 8.5% and production by 6.5%.

According to China's Ministry of Agriculture, in the week ending November 19, pork traded at 20.12 yuan/kg (£2.29/kg) on the wholesale market. Though 1.5% lower on the month, it was still 2% above the market's mid-July low point, but a well-balanced market has meant that prices have been relatively stable for six months. November was the tenth consecutive month in which the wholesale cost of pork in China was cheaper than a year earlier. However, the gap has narrowed to 12-13% since the beginning of October compared with 18-19% in August and September and 26% back in June. Relative to beef and lamb, pork remains highly competitive on the wholesale market, trading at only 37% of the beef price and 39.5% of the sheepmeat price in late November. However, it remained significantly dearer than chicken, trading 38% higher.

The USDA's quarterly hog inventory report for Q3 2017 showed a further expansion in the US pig herd. As September began, the breeding sow herd was up 0.3% on the quarter and by more than 1% on the year, reaching 6.087m head. With sow productivity also on the increase, the number of slaughter pigs rose at an even faster rate of 2.5% year-on-year to 67.462m head. A seasonal upturn in productivity also supported a quarterly increase of 3% in slaughter pigs. Following the sharp decline in production back in 2014 after an outbreak of PEDv (Porcine Epidemic Diarrhoea virus), production has risen strongly in each subsequent year, lifting volumes well above their pre-2014 trend, which had been indicating a more muted expansion. In the Q3 report, producers indicated that further growth was likely next year with farrowings between December 2017 and February 2018 expected to increase by close to 1.5%. Despite US pigmeat production rising further this year, farmgate prices were nearly 40% above year earlier levels in late November, trading at \$1.25/kg dwt (94p/kg).

Iain Macdonald – November 2017

QMS