



# Monthly Market Report

September 2017

# Contents

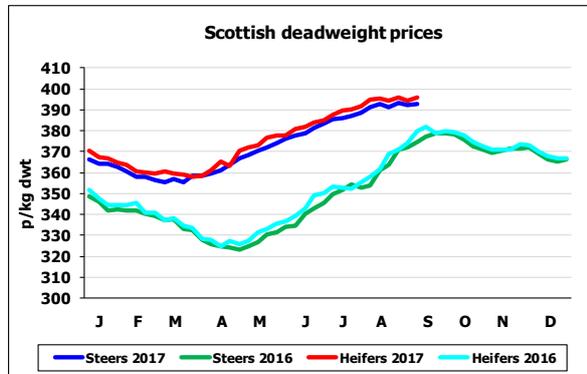
Click on the title of each section to take you to the page.

<a href="#">Cattle</a>	<a href="#">1</a>
<a href="#">Sheep</a>	<a href="#">7</a>
<a href="#">Pigs</a>	<a href="#">13</a>

# MARKET REPORT - September 2017

## Cattle

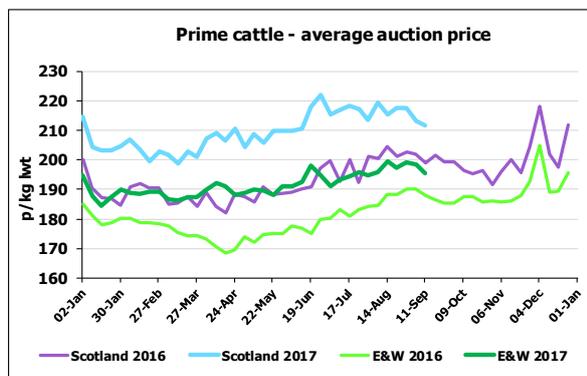
### Prices and Supplies



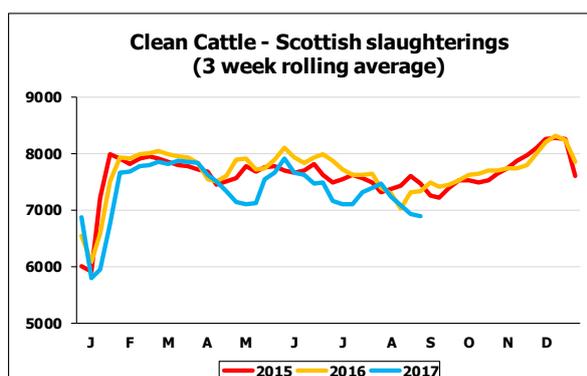
Prime cattle prices have lacked direction since early August. During the six weeks to September 9, the average steer price at reporting Scottish abattoirs has traded between 391p/kg dwt and 393p/kg. Meanwhile, R4L grade steers have hovered in the 397-400p/kg range over the same period. Given that prices were trending higher over the same period in 2016, the year-on-year premium has narrowed from 10% in early August to 5.5% in September. Having fallen

short of year earlier levels in recent months, the four weeks to September 9 saw price reporting abattoirs process 1.5% more prime cattle than in the same period of 2016. This was the highest volume for three years at this time of year, with numbers going against the traditional seasonal trend and rising above mid-June to mid-July levels.

Having edged up towards 5% in mid-August, the Scottish premium over England & Wales (E&W) for an R4L grade steer dipped back towards 4% as September began. Meanwhile, the premium for an R4L steer relative to a -U4L steer in Scotland began July at around 3p before disappearing between mid-July and mid-August. It then returned in late August and early September, running at 1-2p. For heifers, the premium for a -U4L over an R4L dipped slightly from 5p in the 4 weeks to August 19 down to 4.5p in the four weeks to September 9.



From mid-June to the end of August, the prime cattle average at Scottish auctions lacked direction, trading around 217p/kg lwt. However, prices cooled in the first half of September, dipping to a three-month low of 212p/kg lwt in the week ending September 13. Weekly marketings have risen by approximately 20% since July and were up 15% year-on-year in the four weeks to mid-September, having fallen 20% short of 2016 levels in July.



Slaughter statistics for August 2017 are based on a five-week statistical month for Scotland and Northern Ireland (NI), beginning on July 30 and ending on September 2. The E&W figures relate to the calendar month and have been adjusted to reflect the number of working days.

Provisional Scottish slaughter data for August, which is likely to be revised higher, indicates that prime cattle slaughterings totalled 34,900

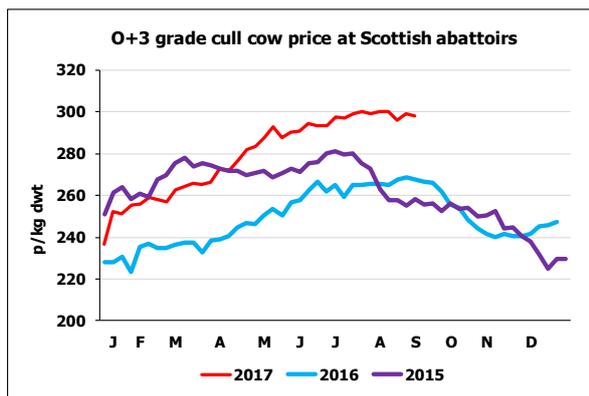
head. This would be a year-on-year decline of 3.5%. At just under 7,000 head, the provisional data suggests a 5.5% fall in weekly kill compared to July; slightly smaller than the 6% seasonal reduction seen last year. In E&W, throughput of 104,900 head was 4% above 2016 levels. DAERA figures for NI point to an even stronger increase there, with numbers rising by more than 8% on August 2016 to reach 29,050 head.

Scottish Government slaughter statistics for August indicate small year-on-year declines of 2-2.5% in slaughterings of steers and heifers, plus a continued more significant shortfall in young bulls. Indeed, young bull slaughter contracted by more than 12% from August 2016. Young bulls also fell seasonally in August, beginning the month at a weekly throughput of just under 1,000 head but ending it at less than 600 head. A 25% decline in average weekly slaughter between July and August saw the young bull share of the prime kill slide by three percentage points from July's 14.5%. It was also 1.1 percentage points lower than in August 2016. A lower young bull share meant that steers rose from 51.2% in July to 54% in August, while the heifer share increased marginally from 34.3% to 34.6%. Compared to August 2016, the steer share rose by 0.8 percentage points and the heifer share by 0.4 points.

Prime cattle carcase weights averaged 363kg at Scottish abattoirs in August. This was down by 4.8kg on the month and by 3.2kg (0.9%) on the year. The month-on-month change was similar to last year. At 376.5kg, the average steer carcase was 5.1kg lighter than in July and 4.3kg below August 2016 levels – a fall of 1.1%. Meanwhile, the average heifer carcase weight fell by 4kg on the month to be 3.9kg (1.1%) lighter than a year earlier at 339.3kg. Young bull carcase weights also fell seasonally, down 6.4kg on the month at 367.9kg. However, this left them 4kg (1.1%) heavier than in August 2016.

Combining the provisional fall in throughput and carcase weights at Scottish abattoirs indicates that prime beef production fell 4.5% short of year earlier levels during August.

August was the second consecutive month in which Scottish abattoirs paid an average of £1,477 for a steer. This was an annual increase of nearly 6.5% as the average price per kilo rose by 7.5%, but the average carcase weight dropped by 1%.



Cull cow prices at reporting Scottish abattoirs have been relatively stable in recent weeks, with the O+3 grade price trading at or marginally below the £3 a kilo dwt mark in the eight weeks to September 9. As prices had still been trending marginally higher through the same period of 2016, the year-on-year premium has narrowed slightly from around 12-13% between mid-July and mid-August to 11-12% in late August/early September. Weekly processing volumes have lifted seasonally in recent weeks, reaching their

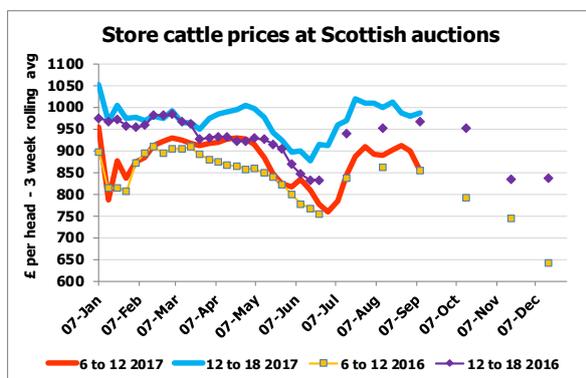
highest levels since early February, so a stable price suggests that the demand-side of the equation has held firm.

At Scottish auctions, there has been some general downwards pressure on cull cow values in recent weeks as marketings have risen seasonally. The three-week rolling average price slipped to 126p/kg lwt in the second week of September, down from a range of 130-133p/kg between May and August. Auction volumes have been running around 650-700 head in the first half of September, compared with around 600-650 head in early August. However, this

compares with around 800 head in September 2016 and prices have continued to trade 10-15% higher than last year. In the second week of September, dairy cows averaged 107p/kg and beef cows 137p/kg.

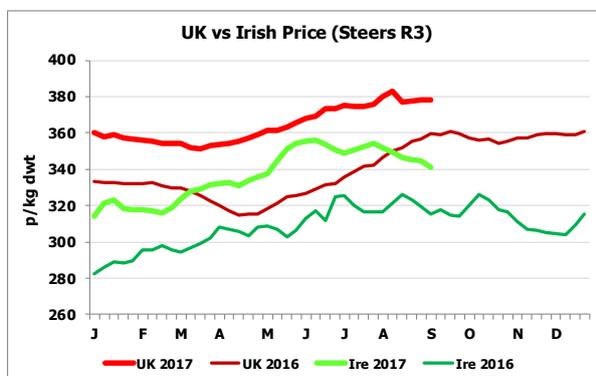
The average weekly mature cattle kill at Scottish abattoirs rose seasonally in August, lifting 4.5% above July levels to just over 1,300 head. However, this was much smaller than the 11% increase seen over the same period last year and monthly slaughterings, at 6,550 head, fell 8.5% short of 2016. August slaughter statistics for E&W suggest that the mature kill exceeded year earlier levels for the first time since January, rising 4.5%. According to DAERA, NI abattoirs processed 1% more mature cattle during August than twelve months before.

August was the 27<sup>th</sup> time in 28 months that the average cow carcase weighed lighter than a year earlier. It fell by 2.7kg (0.8%) to 335.8kg. At 2.5kg, the month-on-month decline was slightly smaller than that seen at the same time last year.



After falling sharply in May and June, store cattle prices rebounded at the beginning of July and then stabilised for two months. Store cattle born in the spring of 2016 have been making up the bulk of weekly marketings in recent weeks and the average price paid for a 12-18-month steer has been trading at around the £1,000 a head mark. This is around 5% higher than the August and September 2016 averages of £950-960. Steers aged 6-12 months have been thinly traded in recent weeks, resulting in some price volatility. Having traded either side of the £900 a head mark through August, their average price slipped to an eleven-week low of £803 in early September. Last year, 6-12 month old steers had averaged £850-860 in August and September.

The latest household purchasing data from Kantar Worldpanel indicates that 67% of GB households bought beef during the 12 weeks to mid-August. However, sales proved sluggish as retail prices increased by 4% relative to 2016. This lift in the average price to £8.01/kg is estimated to have converted a 0.5% fall in spending on beef into a 3.5% decline in sales volumes. Roasting joints were the hardest hit, falling by 7%, while stewing beef and mince fell by around 4%. Steak sales fared slightly better, sliding by 1%. By contrast, aside from a 3% fall for burgers, most processed beef product categories showed year-on-year growth. Sales of beef-based ready meals advanced by 4% and steak pies and pasties by around 15%.



Irish prime cattle prices have been trending downwards since late July, with the average R3 steer price slipping by 6.5% from €3.97/kg (349p/kg) in the week ending July 16 to €3.72/kg (327p/kg) in the first full week of September. A weakening of sterling during the same period limited this fall by half when quoting Irish prices in sterling terms. Having traded 5% higher than last year in July, euro terms Irish prices began September down 0.5% year-on-year, but they remained higher

in sterling, up 8%. In mid-July, the Scottish average for an R3 steer had exceeded the Irish average by 11% but, by early September, this had widened to an eight month high of 17%.

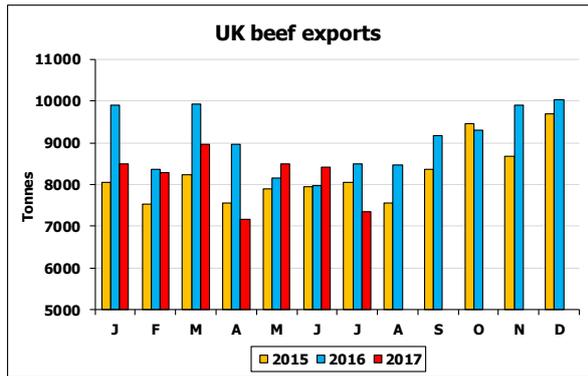
The week to September 10 saw the EU average for an R3 grade young bull trade 1.5% higher than at the beginning of August, at €3.82/kg dwt (337p/kg). This movement was underpinned by significant increases of 3% in Germany and Poland, 5.5% in Sweden and 10% in Holland. Smaller increases of around 1% occurred in Belgium, Spain, France and Italy. By contrast, euro terms prices cooled by 3% in the UK and by 6% in the Irish Republic. The UK average traded 3.5% above the EU average.

The R3 grade young bull average for the EU was 5% higher year-on-year in early September. Dutch prices showed the most significant lift, of 18.5%, with France showing a strong 9% increase, while German and Spanish prices rose at a slightly above average 5.5-6%. Meanwhile, there were below average, but still significant, increases of 3.5% in Italy and 4.5% in Poland. Belgian and Swedish producers saw smaller gains of 1.5% and 2.5%, respectively. In the British Isles, the Irish price was flat year-on-year, but the UK average was down by 3% in euro terms.

The average O3 grade cow price in the EU increased by 1.5% in the five weeks to September 9, reaching €3.02/kg (£2.67/kg). However, the UK and Ireland were two of the small number of countries where euro terms prices fell, down 2.5% in both, while the Spanish average eased by 0.5%. By contrast, prices rose in line with the overall average in Belgium, Germany and France, with slightly above average 2-2.5% increases in Poland and Sweden. Meanwhile, there were considerable monthly gains for Italian and Dutch producers, of a respective 5% and 8%. The UK average traded 1.5% above the EU average.

The uplift in cull cow prices between the beginning of August and early September maintained an 11.5% year-on-year price premium across the EU for the O3 grade price. In the week ending September 10, there were particularly strong year-on-year increases of 14% in Poland, more than 17% in Germany and Italy, and 21% in Holland. Meanwhile, in Spain, Belgium and France, prices were up by a below average but still significant 7.5%, 8.5% and 10.5%, respectively. In the British Isles, there were euro terms increases of 4% in the UK and 6.5% in the Irish Republic. By contrast, Swedish prices traded 2% below 2016 levels.

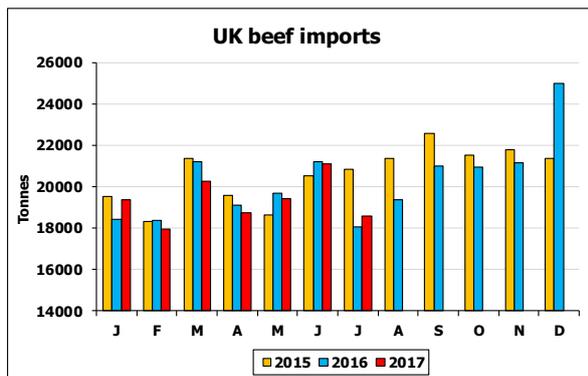
Regional price comparison			€1 = £0.916
w/e 10/09/17	Steer R3 (p/kg dwt)	Heifer R3 (p/kg dwt)	Cow O3 (p/kg dwt)
Scotland	397.1	399.3	292.7
E & W North	380.9	375.4	276.5
E & W Central	377.6	381.1	282.5
E & W South	380.6	381.4	287.2
NI	361.1	359.8	275.6
RoI	340.9	350.3	287.0
France	345.2	362.6	301.3
Germany	350.3	344.6	297.8
Holland	n/a	255.5	279.3
Spain	n/a	353.2	200.9
Poland	n/a	290.9	257.0
Italy	n/a	399.7	263.2
Sweden	464.3	414.9	384.3
EU28	360.3	354.4	276.9
USA (17/09)	270.4 (steer)	269.3 (heifer)	217.7 (Cutter – 90% lean & >225kg)
Australia (14/09)	308.7 (EYCI – steers & heifers)		242.0 (medium cow)



Provisional trade data from HMRC suggests that UK beef export volumes fell back behind 2016 levels in July following two months of growth. At 7,350t, shipments slumped to an eight-year low for the month, trailing last year by 13.5%. This saw exports slip back to 10.5% of UK beef production, compared with 11.5% in the previous July as well as in five of the first six months of this year.

EU markets drove the overall beef export decline with volumes down by a fifth year-on-year at 6,100t. Exports to Ireland were 12% lower at 2,250t while there was a contraction by nearly a third into Holland.

UK beef exports to non-EU markets exceeded year earlier levels for the eighteenth straight month in July, rising by 42.5% to 1,250t and a 17% share of total exports. Trade with Hong Kong grew slightly slower than average with volumes reaching 600t and accounting for 49% of the non-EU total. Around another 10% of the non-EU total went to French Polynesia and 4% to Switzerland.



After five months lagging 2016 levels, UK beef imports rose by 3% in July to 18,600t. Almost all of the increase was down to a 10% lift in deliveries of frozen product to 5,550t, with fresh beef edging marginally over the 13,000t mark. Fresh beef accounted for 70% of July imports, down from 72% in July 2016.

The volume of beef arriving in the UK from EU countries rose by 7.5% year-on-year in July to reach 17,600t and 94.5% of the monthly total. A year earlier, EU shipments had accounted for 90.5% of imports. Imports from Ireland exceeded year earlier levels for the tenth consecutive month, rising 9% to 13,500t and a 72.5% share of the monthly total. This was up four percentage points on the year. While fresh beef from Ireland rose by 2.5% to 9,600t, there was a 29% expansion in frozen beef volumes. Meanwhile, imports from the second largest supplier, Poland, rose by 49% to 1,500t, but Holland delivered 12.5% less than twelve months before, slipping to 1,050t, and German shipments were down 5% at 700t.

At 1,000t, beef imports to the UK from non-EU countries continued to contract sharply on a year earlier, declining 41%. While Argentina, New Zealand and Botswana did ship more than twelve months before, they were offset by falls from Australia (-15%), Uruguay (-16%), Paraguay (-26%), Brazil (-72%) and Namibia (-79%).

## News Round Up

Provisional NI June census results for 2017 indicate a small contraction in the cow herd, with numbers down 0.7% on the year at 582,900 head. Both beef and dairy cows fell slightly; the former by 1% to 267,100 head and the latter by 0.4% to 315,800 head. This meant that beef cows accounted for a marginally reduced 45.8% share of the total breeding herd. However, when it came to in-calf heifers, there were diverging trends within the beef and dairy herds. Whereas in-calf dairy heifers increased by 4% to 61,000 head, there were 1% fewer in-calf

beef heifers, with numbers slipping to 30,800 head. This reduced the beef share by a percentage point to account for 33.5% of the total. Combining cow and in-calf heifers together, it works out at 39 breeding females per breeding bull. While cow numbers have now begun to decline, previous herd expansion means that the pool of slaughter cattle was significantly larger in June 2017 than twelve months before. In the over two years category, the combined total of males plus females for slaughter rose by 3.5%, while the increase in the 12 to 24 months group was an even stronger 6.5%. By contrast, the total number of cattle aged less than a year old fell by 4%.

The four weeks to September 9 saw a considerable increase in prime cattle slaughterings at Irish export abattoirs. At 110,800 head, numbers rose by 10.5% on the preceding four-week period and by 14% year-on-year. In addition, numbers were 11.5% above their weekly average for the year-to-date. Last year, the same period had seen a 9.5% increase on the previous four weeks and 3.5% on the year-to-date average. The strong uplift in throughput helps to explain the downwards pressure on farmgate prices in recent weeks. Within the headline prime cattle kill for the four weeks to September 9, the breakdown by category was similar to the same period of last year. Since the steer kill rose at a slightly below average pace of 13.5%, steers accounted for a slightly smaller 61% of the prime cattle kill. Meanwhile, a 15.5% year-on-year increase for heifers led to a slightly increased 30.5% share and young bulls were unchanged at 8.5%.

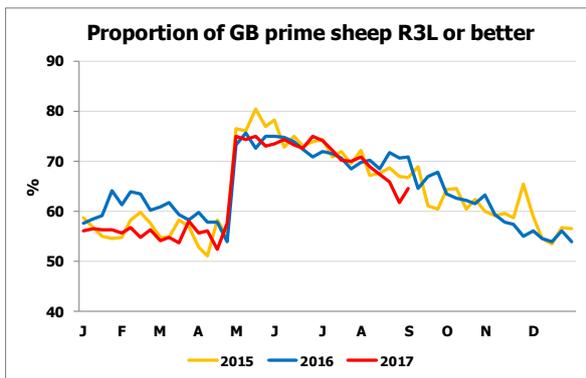
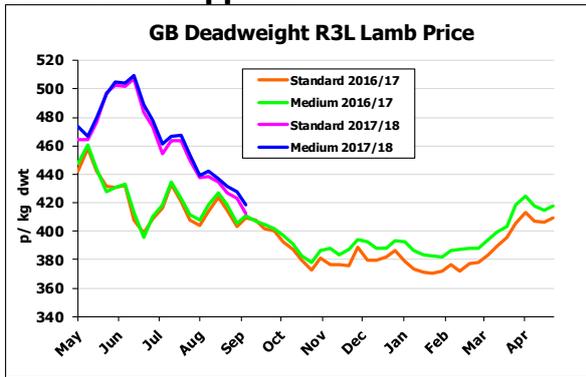
On September 21, CETA - the free trade agreement between the EU and Canada - will be provisionally applied. Under CETA, Canada is set to benefit from an increase in access to the EU market for its beef. The 3,200t per annum that was formerly part of the High Quality Beef (HQB) quota, which converts to 4,160t on a carcase weight equivalent basis (CWE), will be transferred over and Canada will gain an additional 5,140t CWE of fresh beef access in the first year. For the next five years, this allocation increases by 5,140t CWE, before settling at 30,840t. Canada will also benefit from tariff-free access for frozen beef. This new quota begins at 2,500t CWE, rising by this same amount for the next five years to a maximum of 15,000t from year six onwards. Furthermore, Canada's current share of the Hilton quota - 11,500t product weight at a reduced tariff of 20% - will become duty free. As a consequence of CETA, the EU's annual import quotas will be adjusted to account for the removal of Canadian allocations. For example, the 48,200t HQB quota will become 45,000t once Canada's 3,200t share is omitted. With the quota being allocated on a quarterly basis, the quarterly volume will be cut from 12,050t down to 11,250t.

Access to the EU's HQB quota was in high demand this summer. The quarterly allocation for July to September was filled on August 24; last year, it took until September 22. Despite this strong demand for imported beef, EU farmgate beef prices increased, suggesting an imbalance between supply and demand on the internal market resulted in increased import requirements.

Having begun 2017 posting five consecutive year-on-year declines, Australian beef production returned to growth in June, before showing a further increase in July. Indeed, the January to May period saw 11% fewer adult cattle processed than 12 months before; though increased carcase weights meant that beef production fell at a slower rate of 8%. Moving into June, abattoir throughput exceeded 2016 levels by 6.5% and production by 11%. Then, in July, slaughter rose by 15.5% to 633,000 head, with a 4% increase in the average carcase weight, to 298.7kg, meaning that beef production expanded by a fifth on the previous July to reach 189,100t. Australian farmgate cattle prices had been relatively stable over the first five months of the year, but began sliding in June, and have since fallen by around a fifth. This left them trailing 2016 levels by 26.5% in the second week of September.

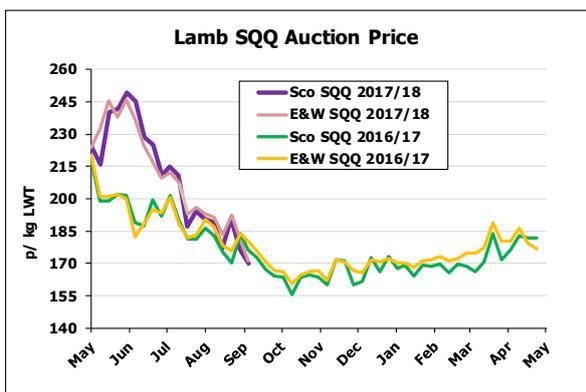
# Sheep

## Prices and Supplies



At price reporting GB abattoirs, SQQ<sup>1</sup> prime lamb prices have fallen steadily since late July, sliding in six out of seven weeks to September 9. This included the run up to Eid al-Adha, indicating that reporting abattoirs managed to secure sufficient supplies in the second half of August to meet their additional requirements for the festival. Ahead of the festival, numbers rose 12% above their late June to mid-August level in the week to August 26, and 22% above it in the week ending September 2. Although numbers then fell back, they remained above pre-Eid levels. In the first full week of September, the average lamb price was 416.5p/kg dwt. This was 5.5% lower on the month, but still 2% above the same week last year. Standard lamb carcasses averaged 404.5p/kg dwt and medium carcasses 418p/kg. However, the premium for a medium R3L lamb carcass over a standard R3L was much smaller at 6p/kg.

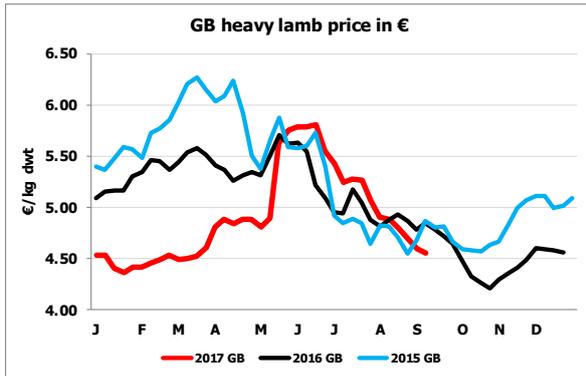
Having been slightly ahead of year earlier levels from mid-June to the end of July, the proportion of lambs grading at R3L or better at GB price reporting abattoirs slipped behind 2016 levels in early August. This gap then widened significantly around Eid al-Adha, suggesting that reporting abattoirs became less discerning buyers due to increased requirements. In the three weeks to September 9, the proportion of lambs grading at R3L or better fell to 64% from 69% in the previous three weeks and from 69% in the same period last year.



Having stabilised at around 190p/kg from mid-July to mid-August, the average new season lamb price at Scottish auctions slipped back to 177p/kg in the week to August 23. This was influenced by a lift in marketings as Eid al-Adha approached. In the final week of August, numbers rose further and the average price spiked back up to 191p/kg with processors keen to secure adequate supplies for the festival. With demand falling back after the festivities while marketings remained

above average for the season-to-date, prices cooled in the first half of September, dropping to 170p/kg in the second week of the month; their lowest so far in 2017/18 and down 4% year-on-year. Last year, Eid al-Adha was in mid-September, pushing up the price that this annual comparison was made against.

<sup>1</sup> 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.

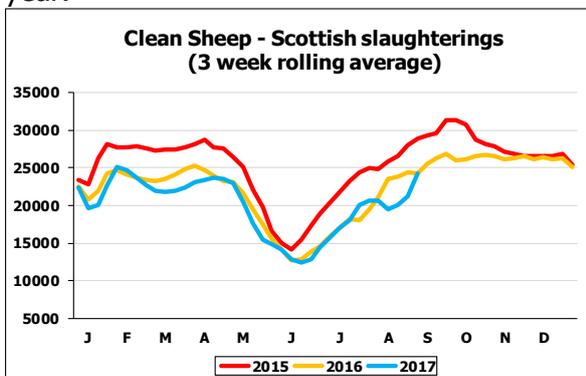


The weakening of sterling, until a mid-September recovery, maintained the year-on-year rate of exchange rate decline against the euro at 5-7%. As a consequence, a 2-3% year-on-year premium in GB lamb prices converted them into a lower price than last year when quoted in euro. This has boosted the price competitiveness of GB lamb on the continent given the context of higher prices than last year in numerous EU countries plus New Zealand, and made exporting look more

profitable for GB processors.

GB auction market data for the four weeks ending September 14 shows that 6.5% fewer new season lambs were marketed than in the corresponding period last year as numbers totalled 506,700 head. North of the border, marketings also fell back, but the decline was smaller at 2%. Looking in at the two peak-volume weeks around Eid, numbers were down 11% this year in E&W but matched 2016 levels in Scotland. The proportion of lambs weighing between 25.5kg and 45.5kg has continued to fall seasonally at GB auctions, slipping from 88.5% in the four weeks to August 16 to 83% in the four weeks to September 13. This was similar to the same period in 2016. At Scottish auctions, the proportion fell by 4 percentage points to 81%, leaving it slightly lower than last year.

Having run higher than twelve months ago in July, provisional data suggests that prime sheep slaughterings fell back behind 2016 levels at Scottish abattoirs in August, sliding by 7% to 111,700 head. This was despite the final week of the month seeing a 38% lift above the average for the previous four weeks as processors met increased orders for Eid al-Adha. The average weekly kill rose by 12% between July and August this year, compared with 25% last year.



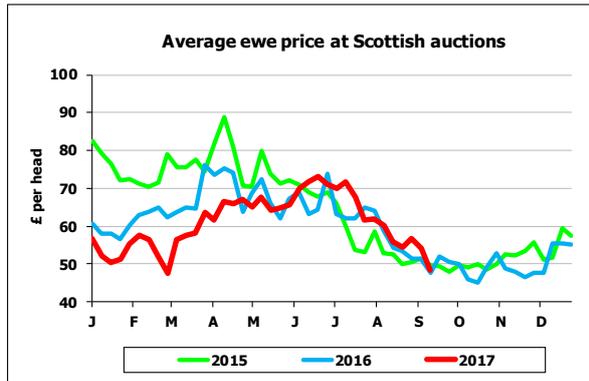
Prime sheep carcasse weights lifted seasonally at Scottish abattoirs in August, rising 0.2kg on the month to reach 20kg. This pushed them fractionally above last year's levels. The final week of the month had the highest average weight as processors sought larger carcasses for Eid al-Adha.

With provisional data suggesting a 7% year-on-year decline in slaughter and only a marginal increase in carcasse weights, Scottish abattoirs are estimated to have produced 7% less prime sheepmeat than twelve months before in August.

Defra slaughter statistics for August show that E&W abattoirs handled their largest volume of prime sheep so far this year with a monthly total of 1.056m head. After adjusting for working days, August throughput was second to April, climbed 9% above July levels, and exceeded August 2016 by just over 1%. DAERA slaughter statistics show that although the weekly kill at NI abattoirs progressed between July and August, numbers remained lower than last year, sliding by more than 6%. Unlike Scotland, NI abattoirs slaughtered fewer prime sheep in the week leading up to Eid al-Adha than they had in the preceding two weeks.

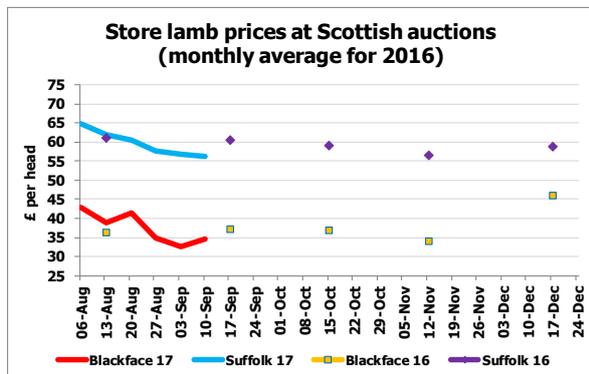
The average lamb carcase weight at UK abattoirs edged 0.1kg higher on the month in August to 19kg. However, this was a smaller move than had been seen last year, resulting in a 0.2% year-on-year decline.

Mature sheep slaughter volumes reached a 10-month high at E&W abattoirs in August, climbing to 137,100 head. However, after adjusting for working days, numbers were lower than in April, showed only a small increase of around 1.5% from July, and trailed 2016 levels by 11%. This was more significant than the 8% rate of decline for the year-to-date.



A seasonal increase in cull ewe marketings has placed downwards pressure on ewe values in recent weeks. From an average level above £70 per head through June and into July, prices had slipped to around £55 a head by the second week of August and held there for four weeks. The second week of September then saw a further fall, to £48, despite a small decrease in marketings, suggesting that demand has weakened following Eid al-Adha. Nevertheless, the market was firm enough to

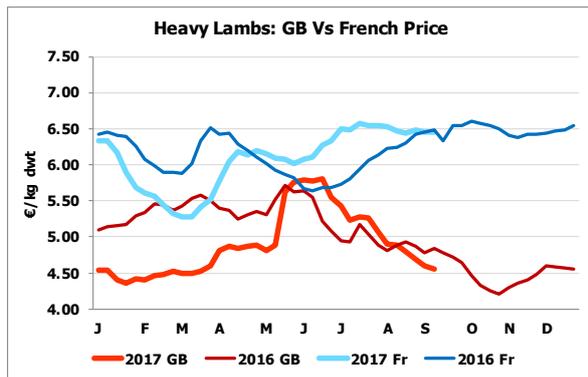
maintain a 1% premium over last year. From their low point of around 3,000 head per week in Q2 2017, marketings approached 6,000 head by the end of July, before peaking at 9-10,000 head around Eid and then easing back to 8,200 head in the first half of September. Volumes rose 3% year-on-year in the four weeks to mid-September.



The opening week of September saw the first significant sales of Blackface store lambs with more than 15,000 head being traded, up from an average of 3,500 in the previous two weeks and fewer than 1,000 head prior to that. In the week to September 9, the average price increased by £2 to £34.50. This was around 5% lower than the average price in August and September 2016. Significant numbers of Cheviot store lambs have been sold at Scottish auctions in recent weeks and prices settled at

around £44 in late August and early September. Meanwhile, 4-5,000 Suffolk store lambs have been sold each week and their price has stabilised at around £57, down by around 7.5% on last year.

Kantar Worldpanel indicates that 30% of GB households bought lamb during the 12 weeks to August 13. The volume of lamb retailed continued to fall well short of 2016 levels (by 10%) as a 3% higher average retail price, at £9.12/kg, resulted in a 7% fall in spending. However, tight supplies of imported lamb and increased export margins will have weighed on overall sheepmeat availability. A breakdown by cut shows that significant falls of 6% in leg roasts, 14.5% in chops & steaks and 23% in shoulder roasts were partially offset by a 3.5% increase in sales of lamb mince. Lamb-based ready meals fell by 14.5%.



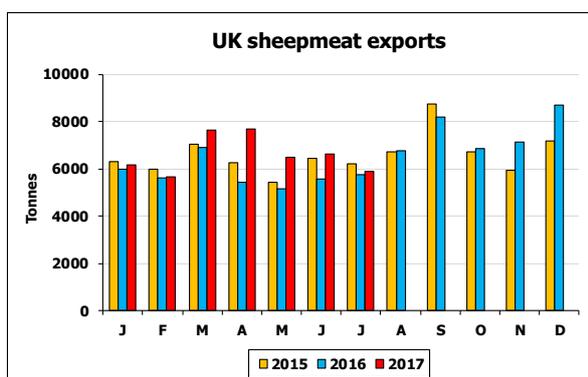
At €4.93/kg (£4.35/kg) in the week ending September 10, the EU average price for heavy lambs<sup>2</sup> was 4% lower than it had begun August. This largely reflected seasonal downwards pressure on the market across the British Isles, with euro terms prices sliding by 3% in the Irish Republic and by 7% in the UK. However, prices also cooled significantly in Belgium (-4.5%), Holland (-5.5%) and Sweden (9%), and edged 1% lower in France and Romania. German prices fell marginally.

However, there were increases of 6-8% in Spain, Croatia and Italy.

The price slump between early August and September meant that the EU heavy lamb average fell back in line with 2016 levels having previously been running higher. Euro terms prices across the UK were down significantly on last year at the beginning of September, with the GB price 6% lower and the NI price down by 10%. This was the case in few other countries; though the Belgian market was running 4.5% lower and French prices were down by 0.5%. Meanwhile, like the overall average, prices in the Irish Republic, Croatia and Italy were flat. On the other side, German and Swedish lambs were 2.5% dearer than last year and there were considerable increases of 8% and 10.5%, respectively in Romania and Spain.

In contrast to the heavy lamb market, the EU light lamb<sup>3</sup> average advanced by 7% from the beginning of August to early September to trade at €5.89/kg dwt (520p/kg). The principal light lamb producing country, Spain, saw a below average lift of 5.5% to €6.34/kg (£5.60/kg). This increase was matched by Italy, but the Hungarian price only edged 1% higher and Bulgarian prices flatlined. Driving the overall increase were Greece and Croatia, where prices increased by 13% and 16%, respectively, over a five-week period.

Despite further increases in August, the EU light lamb average remained lower than last year in the week ending September 10. An overall 1% deficit was driven by the Spanish market, which continued to fall short of 2016, down 10%. Elsewhere, while the Bulgarian price was fractionally lower than last year, the market cleared higher in Greece (4.5%), Italy (6%), Hungary (10%) and Croatia (34.5%).



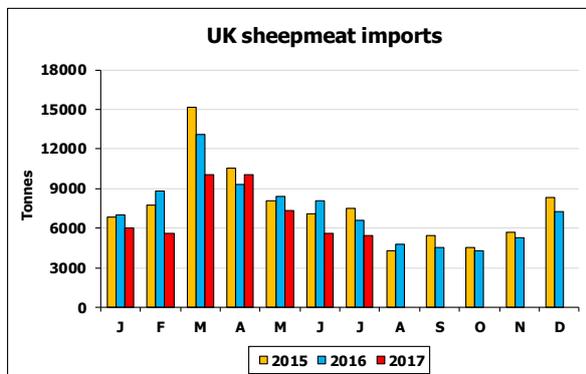
Provisional trade volumes for July indicate a tenth consecutive month of growth for UK sheepmeat exports; volumes rose by 2% to 5,900t. Although exports as a share of monthly sheepmeat production fell seasonally to their lowest of 2017 so far, at 25%, they remained above last year by 1.5 percentage points.

The UK exported slightly more sheepmeat to the EU than twelve months before in July, with provisional volumes up 1% at 5,600t and 95.5% of total exports. 55% of the monthly total was delivered to France and although the 3,250t shipped was the highest of the year so far, it was 2% less than in July 2016. In contrast, to France, exports to Germany slipped to a

<sup>2</sup> The EU defines a heavy lamb carcass as weighing greater than 13kg

<sup>3</sup> The EU defines a light lamb as a carcass weight of less than 13kg

2017-low, but remained higher than last year, up 9% at nearly 900t. Meanwhile, deliveries to Ireland rose by 12%, there was a marginal increase to Belgium, and Italy bought 49% more than in July 2016.



At 280t in July, UK sheepmeat exports to non-EU countries were 47% above 2016 levels. 77% of the total went to Hong Kong (up 114% on last year at 216t) with Switzerland and Ghana accounting for nearly all of the remaining shipments.

In July, the UK imported its lowest volume of sheepmeat for any July thus far in the 21<sup>st</sup> century. At 5,450t, imports were at their lowest of 2017 and down 17% on last year. Furthermore, this was the tenth annual decline

in eleven months.

67% of imports originated in New Zealand (NZ). However, at 3,600t, imports from NZ were 29% below year earlier levels, lowering their market share by eleven percentage points on the year. The 29% decline in import volumes was coupled with a 42.5% rise in the average value per tonne to £5,000/t, indicating that NZ traders continued to put more of an onus on margins than on price competitiveness. After three months trailing 2016 levels, Australia shipped more sheepmeat to the UK in July than twelve months ago. Volumes rose by nearly a third to 950t and the average price was up 34% at £5,170/t. Australia delivered 17.5% of monthly volumes compared with 11% in July 2016. Although Ireland also increased market share, by a percentage point to 7.5%, it did this despite selling slightly less sheepmeat to the UK than in July 2016.

## News Round up

Provisional June census data from NI indicates further growth in the country's breeding flock. An increase of nearly 2% in 2016 was matched in 2017, taking the female breeding flock up to an eleven-year high of 972,000 head. Of this total, 87% were used for breeding last autumn with the remainder joining the breeding flock since. Moving on to lamb numbers, they increased at a slower pace of 1.5% to reach 1.037m head. However, the lambing percentage held at 122.5% for a second year, remaining one percentage point below 2015. With 29,000 tups on NI farms in June 2017, there was roughly one for every 33.5 breeding females.

Irish export abattoirs handled 8% more lambs during the four weeks to September 9 than in the same period last year. Numbers totalled 224,850 head over the period, working out at 56,200 per week compared with 47,800 head in the previous four weeks and a season-to-date average of 49,450 head since the beginning of May. This seasonal increase partly reflects the Eid al-Adha festival, which resulted in the highest weekly volume of the year in the final week of August (65,800) and the second highest in the week prior to that (56,600). Although Eid al-Adha was later in September last year, the peak slaughter week was in the week to September 10 2016, meaning that the year-on-year increase of 8% includes the festival.

Lamb slaughterings fell significantly relative to 2016 in France after Easter. Following a 2% decline in May, throughput contracted by 8% in June and 7% in July. As a result, there was a fall of nearly 6% over the three-month period with numbers slipping to 957,200 head.

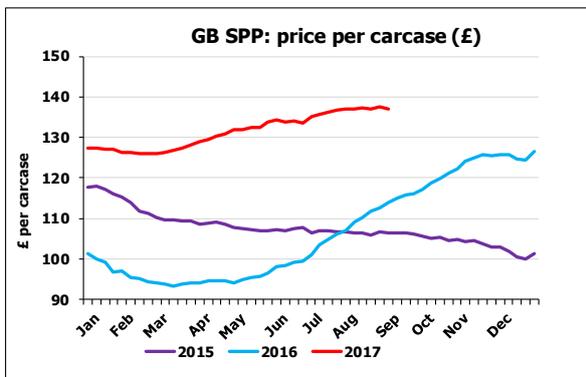
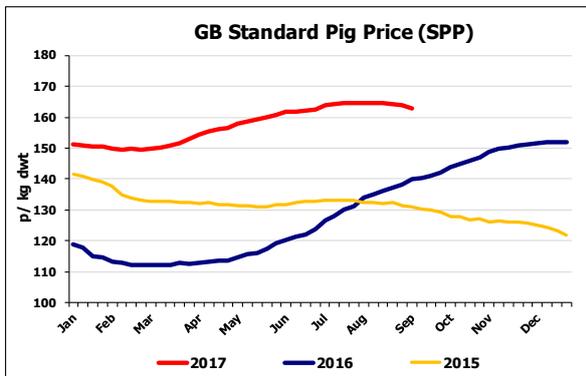
Carcase weights also dipped back – by 0.2kg (1%) to 18.3kg - resulting in a 6.5% year-on-year decline in production volumes to 17,500t. With data for May and June indicating that consumption fell at a slower pace than this while imports rose by only 2%, tight supplies pushed up farmgate and wholesale prices, which averaged 9% and 4% higher than in July 2016, respectively.

According to Statistics NZ, the country's lamb slaughterings exceeded 2016 levels for a third consecutive month in June, rising 23.5% to 787,350 head. Nevertheless, this was still 22% below July 2015 levels and was the third lowest July kill this century. In addition to higher throughput, carcase weights averaged 0.25kg (1%) heavier than twelve months before, pushing up lamb production volumes by a quarter to 15,450t. The third successive month of rising slaughter and production narrowed the year-on-year deficit in the October 2016 to September 2017 season-to-date further. At the end of July, lamb throughput was down by 4.5% at 17.967m head, with meat production 3.5% lower at 331,200t.

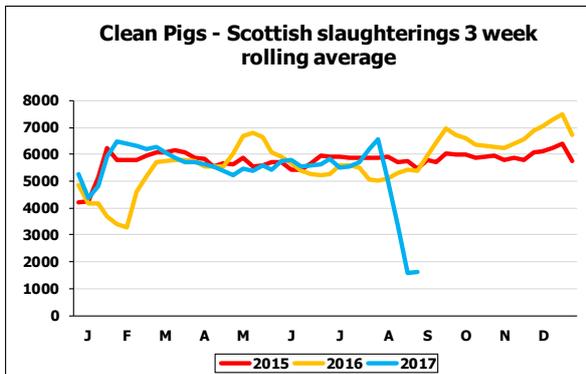
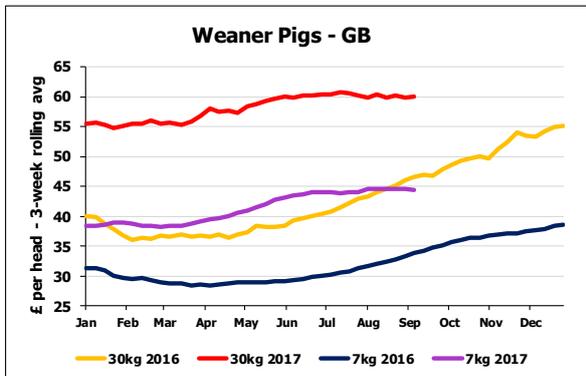
The introduction of CETA on September 21 will have little impact on the cost of exporting sheepmeat from the EU to Canada, given that lamb was already tariff-free and only a 2% import tariff applied for mutton. This reflects the country's limited home production capacity, both at farm and abattoir level, which requires imports to meet consumer demand. Census data from July 1 this year shows that there were 521,100 ewes on Canadian farms. Compared to a year earlier this was a decline of 1.5%. In the east of the country, numbers contracted by almost 2.5%, while numbers fell at a slower rate of 0.5% in the west. This saw the share of the ewe flock in the east fall for the sixth time in seven years, slipping to 60.5%. Meanwhile, the number of lambs decreased by 2% year-on-year to 488,600 head as a marginal increase in the west was more than offset by a 4% fall in numbers on farms in eastern Canada. With the lamb to ewe ratio at 81.5% in the east compared to 112.5% in the west, eastern farms were home to 52.5% of the total lamb crop, eight percentage points lower than its share of the ewe flock.

# Pigs

## Prices and Supplies



£137.06. With carcass weights significantly higher than last year, the carcass price was up 19% on 2016, compared the 16% increase in per kilo prices.



Farmgate pig prices have seen a return to a more traditional seasonal pattern in 2017. This has seen them slip back since the beginning of August as weekly volumes and carcass weights have picked up from their summer lows. Increased seasonal supply has enabled processors to meet their order levels and this has been reflected in a decrease in spot prices to well below contract levels. Five declines in six weeks took the SPP from 165p/kg dwt in late July down to 163p/kg in early September. Nevertheless, this was still a year-on-year increase of 16.5%.

As noted above, carcass weights have risen seasonally and this has resulted in price stability when looking at the overall value of a prime pig carcass. With the average carcass weight increasing by 1.16kg between late July and early September, the overall average price for an SPP carcass was 37p higher at the end of this period than at the start, trading at

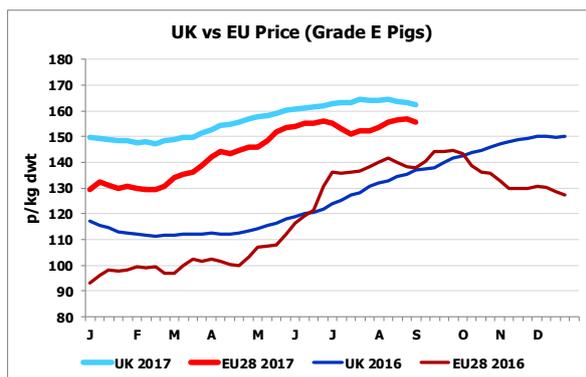
While finished pig prices have begun to fall back in per kilo terms, weaner prices have held firm since the beginning of August. 7kg weaners have continued to trade around the £44.50 per head mark with 30kg store pigs trading at around £60. At this level, they are around 28-29% dearer than last year and at a respective 32.5% and 44% of the price of a finished pig carcass.

In the five weeks to August 5, Scottish abattoirs processed 16.5% more prime pigs than in the same period of 2016. However, a fire at Brechin abattoir over the first weekend of August put slaughtering on hold there, resulting in a substantial reduction in Scottish slaughterings for the remainder of the month. Since then, limited spare capacity at other pig abattoirs in Scotland has meant that the majority of pigs that would normally have been slaughtered at Brechin have been processed at plants elsewhere in the UK.

The cross-border movement of Scottish-born pigs for slaughter in E&W pushed prime pig slaughter slightly above year earlier levels in E&W during August. Throughput totalled 753,000 head and exceeded 2016 levels by 1.5%. Meanwhile, the sow kill increased above year earlier levels for the first time since November 2016, rising 8%. DAERA figures show that, at 161,300 head, NI slaughter plants processed 10.5% more prime pigs than in the same month last year. Within this total, home produced pigs rose by 10.5% while imports increased a fraction more slowly, keeping the share of imported pigs at 24.5%.

Prime pig carcass weights rose seasonally on the month at UK abattoirs, lifting from 82kg in July to 82.9kg in August. However, this was the most significant increase between these two months since 2011. As a result, the year-on-year increase moved from 1.7% in July to 2.6% in August.

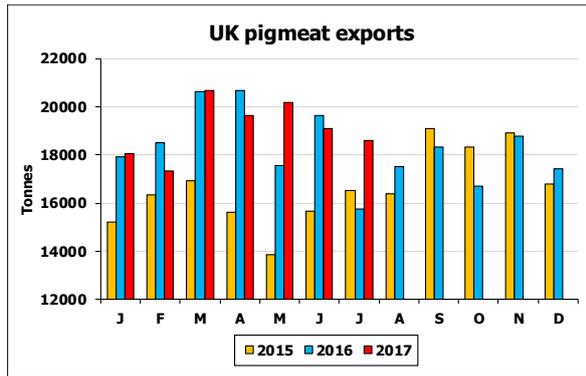
Kantar Worldpanel estimates that GB households raised their spending on pork by 3.5% on last year during the 12 weeks to mid-August. However, a significant rise in the average price by about 8% from the same period last year meant that this translated into a 5% decline in sales volumes. Whereas pork mince saw sales growth of around a quarter, there were declines of 6% for loin roasts, 7% for chops & steaks, 12.5% for leg roasts and 15% for pork shoulder. Meanwhile, a small increase in bacon sales was reported during the 12 weeks to August 13. Sliced cooked meats, pork pies and pork-based ready meals also increased in popularity, but sausages and sausage rolls saw declines of nearly 2%.



Since falling in mid-July, the EU average price for grade E pigs has been relatively stable, trading at €1.70-71/kg dwt (150p/kg). This suggests that demand has been in line with supply at the EU level. When EU prices fell in July, the UK average widened its premium from 4% to 8%, but by late August, this gap had returned back to its previous level. At the same time last year, the UK average had been running slightly lower than the EU average.

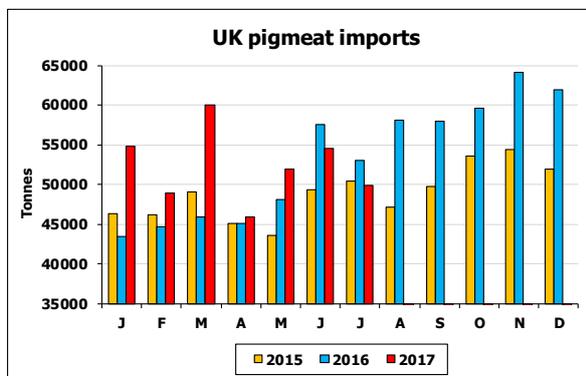
Stability in the EU average price has reflected the general situation across the main pigmeat producing nations. In the first full week of September, prices were little different to where they had opened August in Belgium, Germany and Holland. Meanwhile, Danish and Spanish prices were 1-1.5% lower and Polish prices showed a 1.5% increase. However, the UK average showed a more pronounced movement of -3%, in euro terms, while French prices cooled by 5%.

Compared to the same week last year, the EU average for Grade E pigs was 4% higher in the week ending September 10. Prices in Belgium, Denmark and Germany were up by a smaller degree, showing increases of around 2%, while the Dutch average marginally underperformed the EU average. However, there were stronger year-on-year euro terms increases in Poland (6%), Spain (7.5%) and the UK (8.5%). France was an exception, trailing 2016 levels by 5%.



UK pigmeat export volumes exceeded year earlier levels by 18% in July, at 18,600t. This meant that export volumes were equivalent to 26% of monthly abattoir production; similar to the previous two months but up four percentage points on the year. Exports of fresh and frozen pork rose by 19.5% to 17,350t, while shipments of bacon & ham edged 1.5% higher to 1,250t.

China/HK has been the UK's largest pork export market in 2017, and, at 4,350t, accounted for a quarter of all pork exports in July. Having fallen in June, this was a year-on-year increase of 13%. The main EU markets showed mixed performance in July with Denmark surging to 2,900t and Germany rising slightly to 2,400t, whereas there were falls of 17% for Ireland to 2,350t and 13% for Holland to 1,250t.



July pigmeat import volumes to the UK followed June's 5% year-on-year decline by falling 6% to 49,900t. This was a four-year low for the month. Pork volumes were unchanged on last year at 33,700t, but bacon & ham fell by 16.5% to 16,200t. At 32.5% of monthly imports, cured product took a four-percentage point smaller share than in July 2016.

Denmark continued to be the largest supplier of pork to the UK in July, delivering 39.5% of all imports. However, volumes fell short of 2016 levels for a third month, down 7% at 13,350t. Imports from Spain and France also decreased on a year earlier. These declines were offset by higher deliveries from Germany (3%), Holland (8%), Belgium (30%) and Ireland (32%).

Holland maintained its position as the principal supplier of cured pigmeat to the UK in July as deliveries rose by 15% year-on-year to 7,150t and a 44% share. By contrast, volumes arriving from Denmark and Germany contracted heavily on a year earlier.

## Feed Market

During August, there was downwards pressure on global grain prices due to a strong harvest in the key Black Sea region plus improved crop prospects in the previously drought affected US corn belt. Increased grain production in the Black Sea region has given the region's traders a significant competitive advantage over EU exporters in the global market. As a result, EU exports nearly halved relative to 2016 in the period between early July and the first week of September. Moving into September, the market stabilised at this lower level, awaiting new developments and futures prices in the UK settled at around the £140/t mark, down from the high-140's in July. However, in North East Scotland, feed wheat has lifted to £140/t in the first half of September, having dipped below £135/t in the second half of August. Meanwhile, feed barley prices have returned to £120/t from £117/t in the second half of August. Compared to 2016, grain has been 15-20% more expensive in recent weeks.

After some uplift in soyameal prices in July, due mainly to expectations that drought conditions in the US would result in lower global soyabean production, August saw this reverse as US

harvest prospects were upgraded. Stability since has left the price of imported Brazilian soyameal trading at around £295/t. However, soyameal has remained dearer to buy than at its low point of around £280/t at the end of June. In recent weeks, prices have been trading at an annual discount of 5-10%.

## **News Round up**

Provisional results from the NI census carried out in June indicates a large expansion in the region's pig production. Having risen by more than 4.5% in 2016, the number of breeding sows rose by another 3% to reach 41,400 head in June. Meanwhile, the number of pregnant gilts partially recovered from a considerable fall in 2016, rising by 11% to 6,900 head. However, they still fell short of June 2015's 7,200 head total. Combining sows and gilts, overall female breeding stock numbers increased by 4%, reaching 48,300 head in June 2017. This meant that for every breeding boar, there were nearly 54 breeding females. Meanwhile, the number of gilts retained for breeding rose by 5% to 5,800 head. The slaughter pig population also rose strongly in the year to June 2017, with numbers showing an 8% increase to 591,600 head. This meant that there were 12.2 slaughter pigs on NI farms for each breeding female compared with 11.8 in June 2016 and 11.3 two years before, thereby indicating a further increase in productivity.

Under the terms of the CETA free trade deal between Canada and the EU, Canadian pork will be granted greater access to the EU market once the agreement is provisionally applied on September 21. Currently, Canada has an annual duty free quota for pigmeat of 5,549t carcass weight equivalent (CWE), but this will rise by 12,500t in year 1. Thereafter, the volume increases by 12,500t CWE a year for five years until it reaches 75,000t plus the original 5,549t.

According to China's Ministry of Agriculture, the wholesale price of pork has been edging higher in China since mid-July, following a slump in prices that began in February and lasted for more than five months. In the week ending September 15, pork traded at a 16-week high of 20.53 yuan/kg (£2.30/kg) on the wholesale market. This was up by 1.5% on the month and by 4% from its mid-July low. Although pork was 18% cheaper than in mid-September 2016, the year-on-year discount has been narrowing given that prices trended lower in the third quarter of 2016. The latest import data from China Customs shows that July was the fourth consecutive month that China imported less pork than a year earlier, with volumes down 52% at 87,600t, resulting in a more balanced market. Wholesale prices for beef, sheepmeat and chicken have also been increasing in recent weeks. Compared to mid-August, pork was an unchanged 38.5% of the cost of beef, but a slightly smaller 43% of the cost of sheepmeat. Meanwhile, a strong increase in chicken prices resulted in a further narrowing of pork's premium to 40%, from 45.5% in mid-August and over 60% during the spring.

Brazilian abattoirs processed 10.616m pigs during Q2 2017. Compared to the same period of the previous year, this was a marginal increase of 0.2%. However, at 89.6kg, the average carcass weight exceeded its year earlier level by 1.5kg (4.5%), pushing up pigmeat production by 2% to just over 950,900t. Compared to Q2 2012, both slaughter and production were up by a fifth, and they were up by more than half from ten years before. The number of abattoirs handling pigs (675) was down 7.5% year-on-year, by 19% on 2012 and by 28% on Q2 2007.

**Iain Macdonald – September 2017**

QMS