



# Monthly Market Report

August 2018

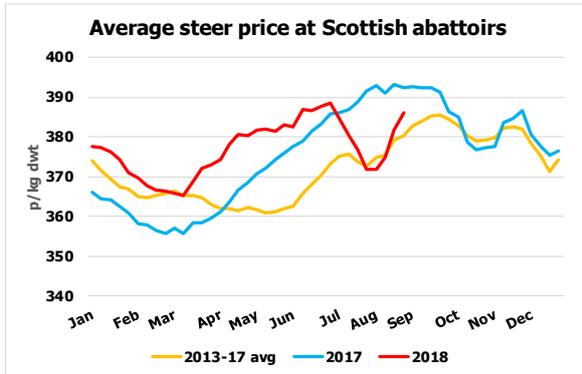
# Contents

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>

# Cattle

## Domestic Market

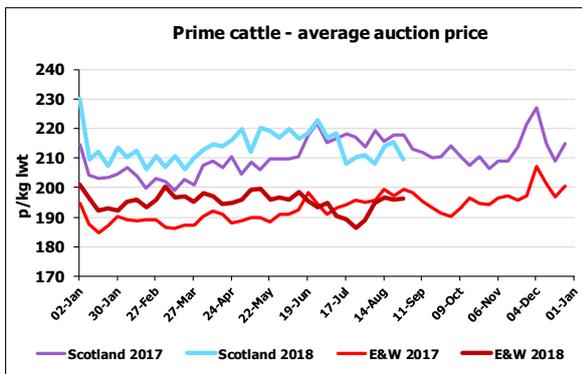


The prime cattle market saw significant volatility in July and August, posting five consecutive weeks of declines followed by a three-week recovery. Having opened July at a nine-month high of 388.6p/kg dwt, the average steer price at reporting Scottish abattoirs had slumped to 371.7p/kg by the week ending August 11; a fall of 4.3%. Over the next three weeks, the average price then recovered most of the lost ground, closing August at 386p/kg. As a result, the discount

to last year finished August at -1.6%, compared to -5.4% in early August, while the premium over the five-year average returned following a brief decline and then widened to 1.5%. The average price paid for an R4L grade steer fell by 17.5p (-4.4%) between the first week of July and the week ending August 11, before recovering by 13.9p (3.7%) to end August 1.6% below year earlier levels at 392.1p/kg.

Having held firm through June and July, unlike last year when they dipped, numbers handled by price reporting abattoirs then fell back in August. The weekly average kill was only a fraction lower in July than it had been in June, before dropping 8.5% in August. This means that having run around 5% higher than last year in July, volumes contracted by 4% in August.

After averaging at 11p/kg during the second quarter of 2018 (Q2), July saw the premium for an R4L steer in Scotland over England & Wales (E&W) lift to average 16p (4.2%). After dipping back sharply to around 10p at the beginning of August, it then reasserted itself, averaging around 15p (4.1%) in the final three weeks of the month. This was down a fraction on the same period last year. In August, R4L steers at Scottish abattoirs averaged 3.1p/kg more than -U4L steers, down from 5.6p in July. Meanwhile, the premium for -U4L heifers over R4L heifers narrowed from July's 3.5p to 1.9p in August. Although these premia have narrowed, they do still signal that -U grade steers are being penalised due to heavy carcase weights.

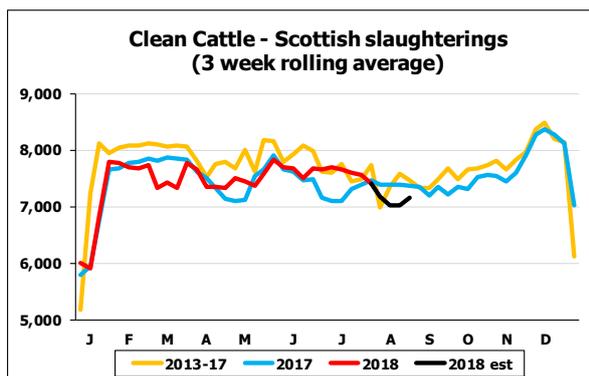


Prime cattle prices fell back in mid-July at Scottish auctions. This saw the three-week rolling average price slip from 219p/kg lwt to 210p/kg by the beginning of August. Prices then showed signs of recovery in mid-August, before a jump in volumes placed some downwards pressure on the market in the final week of the month, and the three-week rolling average closed August at 213p/kg. This was 2% below year earlier levels. Auction volumes edged higher in the four weeks to August 29

when compared to the prior four-week period, but were down 12% on the same period last year.

Slaughter statistics for July 2018 are based on a four-week statistical month for Scotland and Northern Ireland (NI), running from July 1 – July 28. For E&W, slaughterings are based on the calendar month and have been adjusted for working days.

Prime cattle slaughterings continued to show year-on-year growth at Scottish abattoirs in July, rising by 3.3% to 30,450 head. However, the average weekly kill fell by 1.2% between June and July to 7,610 head, compared to a 0.9% increase between the two months last year. According to DAERA figures, the prime kill at NI abattoirs recovered to post year-on-year growth of 7.9%, following two months of declines, lifting to 23,050 head in July. By contrast, after applying a working-day adjustment, the E&W prime kill fell by 3.1%.



Heifers continued to underpin the prime cattle kill at Scottish abattoirs in July, with numbers rising at a year-on-year rate of 4.8%. July saw a similar increase for steers, of 4.2%, but the young bull kill fell 3.7% short of July 2017. As a result, both the steer and heifer shares of the prime kill rose by 0.5 percentage points from the same month last year to reach 51.6% and 34.9% respectively, while young bulls fell from 14.5% of the total to 13.5% of it. However, compared to the previous month,

steers lost 0.5 percentage points, heifers gained 0.2 points, and young bulls climbed to a seasonal peak, up 0.3 points.

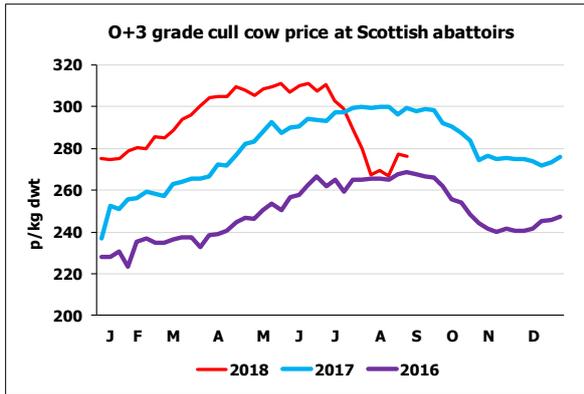
Average carcass weights at Scottish abattoirs (kg)				
	Steers	Heifers	Young bulls	Prime Cattle
July 2018	383.6	341.2	374.1	367.9
June 2018	389.1	343.4	377.1	372.0
July 2017	381.7	343.3	374.3	367.8

The average prime cattle carcass weight at Scottish abattoirs fell by 4.1kg (1.1%) between June and July to 367.9kg. However, this left it fractionally heavier than its year earlier average of 367.8kg. All three categories saw monthly falls, led by steers at 5.4kg, with heifers down 2.2kg and young bulls lighter by 3.1kg. Compared to July 2017, steer carcasses averaged 1.9kg heavier (0.5%), but this was partially offset by declines of 2kg (-0.6%) for heifers and 0.3kg (-0.1%) for young bulls. Market signals had been placing downwards pressure on steer carcass weights for a prolonged period, so their renewed increase is a development to monitor.

July's marginal increase in the average prime cattle carcass weight at Scottish abattoirs saw prime beef production rise relative to last year in line with the 3.3% increase in throughput.

During July, the average price paid for a prime steer carcass by Scottish abattoirs was £1,469. This was down by 0.5% from a year earlier as a 1.1% fall in per kilo prices was partially offset by a 0.5% increase in the average steer carcass weight.

Cull cow prices fell sharply at Scottish abattoirs during July, with a seasonal lift in volumes pressuring prices. Given that similar seasonality did not result in a price fall in July 2016 or 2017, it suggests that demand for manufacturing grade beef weakened. Having fallen by 30p/kg in July to end the month at 280p/kg dwt, the O+3 grade price lost another 12p at the



beginning of August. Following two weeks of stability, there was partial recovery in the week ending August 25 and then the market steadied at the end of the month, closing it at 276p/kg. This was around 3% higher than the early August low, but still around 8% behind year earlier levels. Having risen by around 16% between June and July, weekly cow numbers at reporting abattoirs fell back by almost 11% in August and were down by 8% on the same period of last year. Most of this decline occurred in the second and third weeks

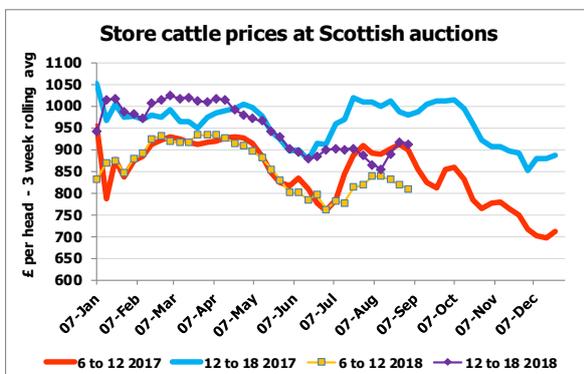
of the month, before a recovery took place towards the end of the month after prices had picked up from their low point.

Between mid-June and late July, the average cull cow price at Scottish auctions fell back sharply. As a result, the three-week rolling average slipped from 142p/kg lwt on June 13 down to 116p/kg in the first week of August. Since then prices have risen slowly, averaging 119p/kg in the three weeks to August 29. After picking up strongly in mid-July, weekly marketings dropped back significantly after the fall in prices. The three-week average had risen above 800 head in late July, before easing to 553 head by August 22. The final week of August then saw volumes recover to a five-week high. In the final week of August, beef cows, which accounted for 61% of marketings, averaged 134p/kg while dairy cows sold for 99p/kg.

The mature cattle kill at Scottish abattoirs rose strongly for the second successive month in July. After a 12.5% year-on-year increase in June, slaughter was up 11.8% in July at 5,450 head. At an average of 1,390 per week, this was an 12.8% lift from the previous four weeks; though it was smaller than the 14.8% increase between June and July 2017. Defra figures also showed a significant year-on-year increase for E&W in July, up 16% after correcting for working days. This was slightly faster than the 15.6% increase reported by DAERA for NI abattoirs.

At 343.7kg, cull cow carcase weights at Scottish abattoirs exceeded year earlier levels for a fifth month in July. This was despite a sharp month-on-month drop of 9.4kg, which was more significant than they 4kg fall between the two months in 2017. Carcase weights were 5.4kg higher than in the same month of 2017; an increase of 1.6%.

### Store Cattle Market



Following significant volatility in June and July, store cattle values fluctuated less from week-to-week in August at Scottish auctions, likely down to a seasonal lift in overall volumes. Prices for both 6-12-month and 12-18-month steers have risen from their seasonal low, but have continued to trade cheaper than in the spring, whereas last year, prices had returned to spring levels in August. In the final week of August, the three-week rolling average price

for the younger group fell back to a 7-week low of £809.50, while the older grouping showed an average price of £912 per head. Though down from the previous week, this was its second highest level since late May. This left prices in the 6-12-month category at a year-on-year

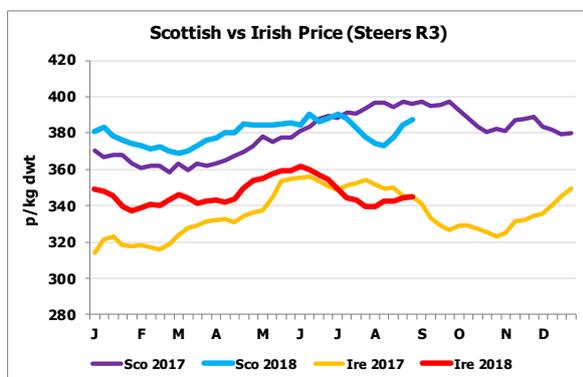
discount of 10%, with 12-18-month steers trading down by 7% - around half of their peak rate of decline seen at the turn of August. In the four weeks to September 1, volumes in the younger category fell by 10% from the previous four-week period and were down by more than a third from last year, while 12-18-month steers – which made up 80% of marketings across the two categories – saw a 27% lift from the previous four weeks but a 27% decline relative to 2017.

### Retail Sales (Source: Kantar Worldpanel)

69% of GB households bought fresh and frozen beef during the 12-week period ending on August 12. Total spending on beef declined by 4% on a year earlier and, with the average price rising by 0.7% to £7.99/kg, sales volumes fell 4.7%. Although more households bought beef, they bought it less often and bought less of it on each trip. A breakdown by category indicates that the warm weather seen throughout much of this period had a significant impact on beef consumption, with sales of stewing beef and roasts falling by around a quarter year-on-year while there was a 4% fall for mince. Contrast this with a 13.8% increase for steak cuts, supported by a 6.8% fall in the average price paid for them, likely driven by discount deals for barbecue products.

Data for processed beef is lagging, covering the twelve weeks to July 15th. It also points to the warm weather leading to changes in consumption, with burger volumes up 19% compared to declines for chilled steak pies (-18%), frozen steak pies (-7%) and beef-based pasties (-4%). Sales of chilled beef-based ready meals rose by 2% on the same period of 2017 and sales of frozen ready meals edged higher.

### EU/International Market Prices



Irish prime cattle prices fell back significantly in June and July before steadying in August. The average R3 grade steer fell back from €4.12/kg (372p/kg) in the week ending June 10, to €3.82/kg at the end of July. For the next five weeks, prices traded at €3.81-€3.83/kg (344-346p/kg), ending August 2.2% above year earlier levels.

When converted into sterling, Irish prime cattle prices trended higher through August, reflecting a decline in the value of sterling against the euro. From a late July low of 340p/kg, the R3 grade steer price had climbed 1.5% by the end of August to reach 345p/kg. However, with sterling proving stronger than a year earlier, prices were in line with late August 2017, compared to their 2% increase in euro terms. Having doubled to around 12% between mid-June and mid-July, the Scottish premium over Ireland for an R3 grade steer slipped back below 10% at the beginning of August before widening to end the month at 12%. This was below the year earlier premium of 15%.

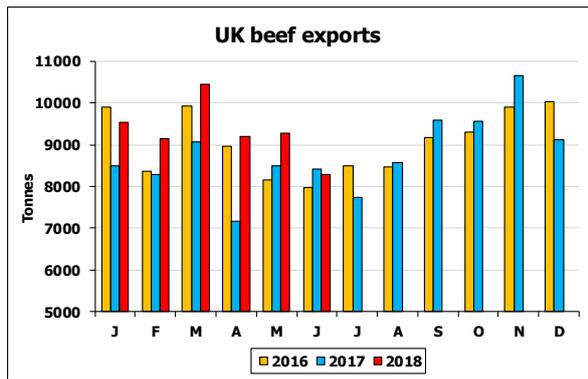
The EU average for an R3 grade young bull has faced downwards pressure for much of 2018-to-date. However, having dropped to a low of €3.68/kg dwt (333p/kg) in mid-August, the market picked up towards the end of the month, closing August at a nine-week high of €3.72/kg (336p/kg) and up 0.6% from the beginning of the month. This was insufficient to return prices to their year earlier level, ending August down 3%.

Having fallen back sharply through July, the average price paid for an O3 grade cull cow in the EU fell back further in early August, before edging up as the month progressed. From €3.07/kg dwt (277p/kg) in the final week of June, prices had slumped to €2.88/kg (260p/kg) by the week to August 12, before trading at €2.90/kg (262p/kg) in the last two weeks of the month. This left them down by 0.5% on the month and by 3.6% on the year.

International cattle price comparison (p/kg dwt)						
	Steer/Young bull (R3)			Cow (O3)		
	w/e 01/09/18	% change Vs 04/08/18	% change y/y	w/e 01/09/18	% change Vs 04/08/18	% change y/y
Scotland	387.4	+3.6	-2.2	268.8	+2.4	-8.1
E & W North	372.9	+2.1	+0.6	267.2	+3.5	-5.3
E & W Central	370.3	+3.4	-2.3	269.9	+4.5	-5.0
E & W South	374.1	+3.6	-1.3	270.7	+4.8	-5.3
NI	358.1	+1.5	-0.5	274.2	+2.8	-1.1
RoI	344.7	+1.5	-0.1	266.5	+3.8	-4.2
Belgium	271.8	+1.1	-1.1	249.8	-1.0	-1.3
France	332.0	+0.8	-4.7	295.0	+0.0	-3.2
Germany	342.3	+4.3	-5.3	259.8	+1.9	-14.0
Netherlands	296.8	-7.5	-4.3	237.2	+1.2	-13.8
Spain	344.1	+1.3	-2.7	223.8	-0.8	+16.0
Poland	305.7	+2.1	-0.6	257.2	+2.1	+0.2
Italy	326.1	-3.8	-11.8	246.8	-0.1	-2.8
Sweden	361.7	-1.9	-17.9	322.6	-4.4	-16.7
EU28	331.6	+0.7	-4.3	261.3	+0.7	-5.8
EU prices converted at a weekly € value of:	90.2p	89.1p	92.3p	90.2p	89.1p	92.3p
USA	289.0 (steer)	-3.6	+1.1	197.8 (Cutter: 90% lean & >225kg dw)	+0.5	-17.1
Australia	269.7 (EYCI – steers & heifers)	-1.3	-20.2	231.2 (Medium cow)	+10.0	-13.0

### UK Export & Import Statistics

Provisional trade data from HMRC suggests that June was the first month in 2018 in which UK beef exports decreased relative to last year. Volumes fell by 1.5% to 8,300t and were 2.2% below their average June volume between 2013 and 2017. Nevertheless, during the second quarter of 2018 as a whole (Q2), exports rose by 11.1% to 26,750t. Exports are estimated to have been equivalent to 11.4% of UK beef production in June; down 0.5 percentage points

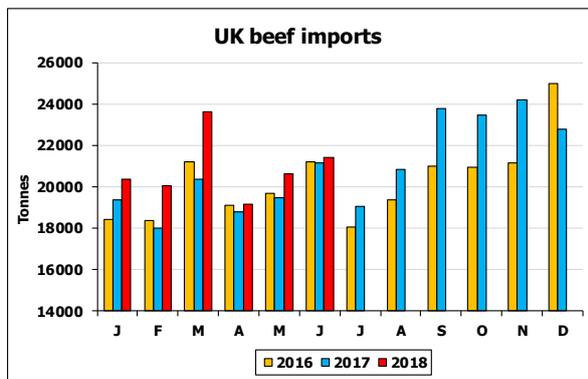


from May and a fraction behind year earlier levels. By contrast, the quarterly average for Q2 was 0.9 points higher than last year, at 11.9%.

While UK exports may have declined relative to a year earlier in June, trade with EU countries picked up, growing by 5.5% to 7,600t. The two largest destinations saw divergent performance in June, with the volume delivered to Ireland down 2.7% on last

year at 2,900t, whereas sales to the Netherlands surged by 29% to reach 1,900t. Smaller markets generally showed strong growth, including France, Belgium and Italy, while sales to Germany rose in line with the overall average.

UK beef exports to non-EU countries slumped in June to be down by 44% on a year earlier at 670t. This was despite shipments to the main non-EU market – Hong Kong (HK) – picking up by 3.7% on last year to 425t, giving it a 63.6% share of the non-EU total.



The UK's beef import volumes continued to exceed year earlier levels in June with the month being the eleventh in the last twelve that this has been the case. Volumes rose by 1.3% to 21,450t. This was a five-year high for the month and was 1.5% above its five-year average. During Q2 as a whole, import volumes were up by 3.1% year-on-year at 61,250t, significantly slower than the 10.9% import growth seen in Q1 2018. Within imports there has been a rebalancing of

deliveries this year, with fresh beef accounting for a smaller share of the total. In June, imports of fresh beef fell by 2.1% year-on-year to 14,350t, whereas imports of frozen product showed a 9% expansion to reach 7,100t. Consequently, fresh beef accounted for 66.9% of June imports, compared with 69.3% in June 2017. During Q2, fresh beef imports fell by 3.5% to 40,300t while there was an 18.8% expansion of imports of frozen beef, to 21,000t.

Imports of beef to the UK from EU Member States rose by 0.7% year-on-year in June to 20,200t, which was in turn 94.3% of monthly imports, compared with 93.4% in May and 94.9% in the same month last year. The main supplier of beef to the UK – Ireland – delivered nearly 15,500t of beef in June, which was up 4.2% on last year. This was slower than the near-9% growth rate for the first half of 2018. At this level, Ireland accounted for 72.4% of the UK's beef imports; its lowest share since December 2017, though still 2.1 percentage points higher than in the same month last year. Imports of fresh beef from Ireland trailed last year's levels by 0.3% at 10,600t, but deliveries of frozen beef were 15.8% higher at 4,900t. In contrast to Ireland, June imports from Poland and the Netherlands showed shortfalls relative to last year, down 5% and 37% respectively, at 1,600t and 1,100t.

The volume of beef arriving in the UK from non-EU countries exceeded year earlier levels by 12.1% in June, reaching 1,200t. Australia was the largest non-EU supplier in June, on 285t, and this was a three-fold increase on the same month last year. Brazil shipped the second largest volume and, at 255t, delivered more than twice as much as it had in June of last year.

Botswana, Namibia, Argentina and Uruguay all delivered 100-200t, with Argentina the only one of these to see year-on-year growth.

## **Global Market Round Up**

Bord Bia figures for prime cattle slaughterings at Irish export abattoirs show that numbers fell behind year earlier levels in August, having spent much of 2018-to-date above 2017. During the four weeks to August 25, throughput totalled 101,000 head; down 5.5% on the same period last year compared to a 1.7% increase in the year-to-date. During the four-weeks to August 25 period, the average weekly kill was 0.6% below that of the preceding four weeks but remained above the average for the first 34 weeks of the year, running 0.9% higher. The Irish kill was underpinned by heifers and young bulls in August, with numbers rising by a respective 1.3% and 21.2% on last year, but these gains were more than offset by a sharp 13% drop in steer throughput. Nevertheless, steers still accounted for 55.6% of the prime kill, with heifers at 32.8% and young bulls making up 11.6% of the total. These proportions had been 60.4%, 30.6% and 9% respectively during the same period last year. In the year-to-date, steers have made up 47.4% of the kill, heifers 36.4% and young bulls 16.3%.

During Q2 2018, EU countries slaughtered 1.5% more cattle than in the same period of 2017, with numbers totalling 6.51m head. With the average carcass weight edging 0.7kg (0.2%) higher to 296.7kg, beef production showed an expansion of 1.7% to reach 1.93m tonnes. Of the largest beef-producing nations, production rose in Ireland (0.6%), France (0.9%), Italy (2.4%), the UK (2.5%), Spain (4%), Poland (5.8%) and the Netherlands (7%); but contracted by 2.3% in Germany. France was the largest producer, taking an 18.8% share of the EU total, with Germany second on 13.3% and the UK in third on 11.6%.

Trade data from Eurostat for Q2 2018 points to a rise in beef imports to the EU from non-EU countries, whereas exports are reported to have eased back. On the import side, the volume brought in rose by 10.7% to 52,100t, at an average price that was 6.5% cheaper than a year earlier at €8,130/t (£7,330/t). Meanwhile, exports fell by 1% to 61,650t, with the average value per tonne rising by 11.9% to €3,730/t (£3,360/t). The difference in value of imports and exports reflects that imports are heavily balanced towards higher value cuts, often used in restaurants and foodservice, whereas exports tend to be of lower value cuts which have limited demand on the internal market, helping EU processors to balance the carcass. When combined with the rise in EU beef production, higher imports and lower exports indicate that the EU beef market entered the summer months in a well-supplied position.

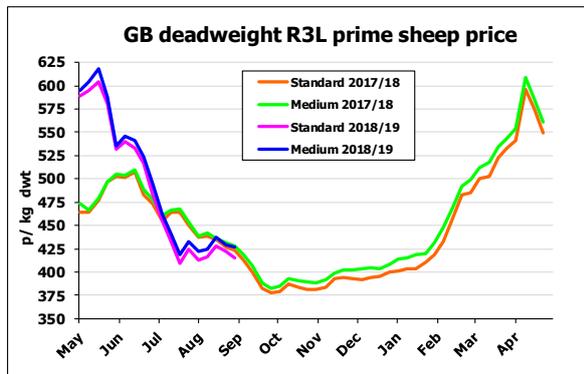
US cattle supplies have remained strong this summer. Latest USDA data on cattle numbers on US feedlots with more than 1,000 cattle reflect this, with numbers up 4.6% year-on-year on August 1 at 11.093m head. This number was actually the lowest of the year so far, as marketings exceeded placements on to feedlots for a second month in July, in line with historical trends. During July, placements showed a year-on-year increase of 7.8% to reach 1.742m head, while numbers sold rose by 5% to total 1.873m head. 65.6% of the cattle on feedlots were in Texas, Nebraska and Kansas.

Meat and Livestock Australia (MLA) have projected that following this year's drought-induced increase in cattle slaughter, numbers will fall back in 2019. Indeed, the 2018 projection for cattle slaughtering is expected to lift by 9% to 7.8m head, before a contraction by 6.4% next year takes numbers back to 7.3m head. Tight feed supplies, early slaughter and a sharp increase in the female kill are predicted to lower the average carcass weight by 5.6kg (1.9%) to 292kg in 2018, before weights recover next year by 4.1kg (1.4%) to 296.1kg. These changes in carcass weights are forecast to turn the 9% increase in slaughter for 2018 into a

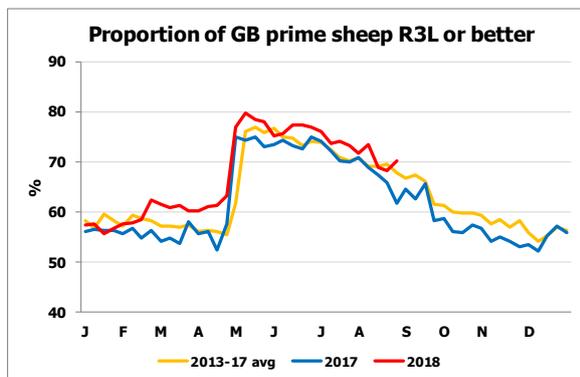
6.9% increase in beef production, and then limit the decline in production in 2019 to 5.1%, with volumes totalling 2.162m tonnes. Drought has been centred on key beef producing regions of New South Wales (NSW) and southern Queensland, with rainfall at its lowest level for 32 years in the Murray-Darling basin. Australia's Bureau of Meteorology is predicting no end in sight with rainfall between August and October likely to be less than a third of historical averages across much of the worst affected area.

# Sheep

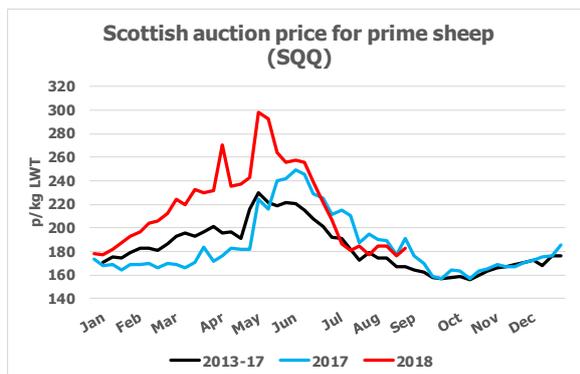
## Domestic Market



Since sliding seasonally between mid-May and mid-July, the average SQQ<sup>1</sup> lamb price at GB reporting abattoirs has lacked direction, ranging between 417p/kg and 435p/kg over a seven-week period, averaging 426p/kg dwt. The peak of this price range was realised in mid-August, with abattoirs seeking additional lambs to supply the Eid al-Adha festival. In the final week of August, prices traded at an average of 425p/kg, which was unchanged year-on-year, following a period in which prices had been running 1-4% below 2017 levels. At the end of August, standard lamb carcasses averaged 406.4p/kg dwt with medium carcasses trading at a 20.8p/kg premium to this. However, there was a smaller premium of 11.7p/kg for a medium R3L carcasse over a standard R3L.

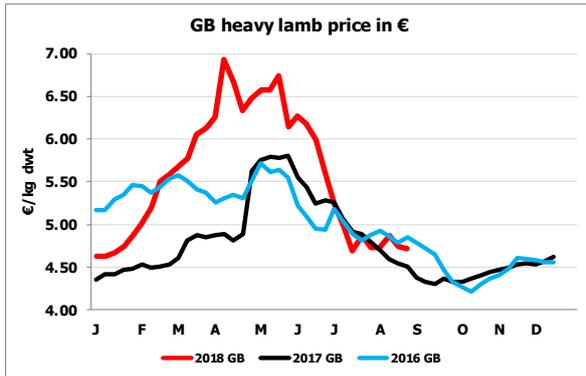


One factor underpinning prime sheep prices at GB reporting abattoirs throughout 2018 has been an improvement in carcasse quality. During August, at 70.4%, the proportion of new season lambs grading at R3L or better continued to slide seasonally, down 3.9 percentage points on the month, but remained higher than in August 2017, up 3.7 points.



Following their seasonal slide between mid-June and early July, prime SQQ lamb prices have been relatively stable for eight weeks at Scottish auctions, averaging between 176p/kg and 186p/kg. As August ended, the three-week rolling average price, at 181p/kg, was 2.4% behind year earlier levels, but the market still cleared 9% in front of the 2013-17 average for late August. Prices continued to vary significantly across the weight ranges at the end of August, with lightweight 25.5-32kg lambs selling for 154p/kg; standard 32.1-39kg lambs averaging 182p/kg; medium 39.1-45.5kg lambs trading at 184p/kg; and heavy 45.6-52kg lambs at 179p/kg.

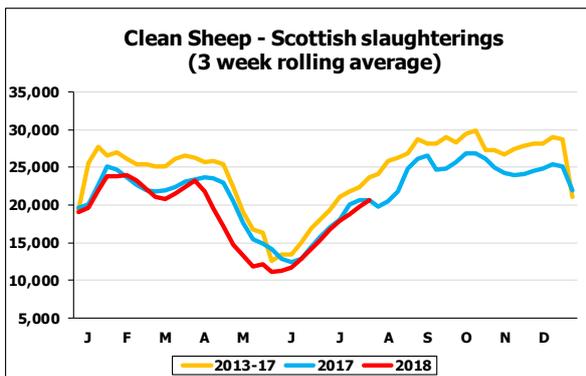
<sup>1</sup> SQQ (Standard Quality Quotation) are lambs weighing 12-21.5kg dwt and 25.5-45.5kg lwt. A standard carcasse weighs 12-16.4kg dwt and a medium carcasse from 16.5-21.5kg dwt.



While GB lamb prices have generally been running slightly below 2017 levels in sterling, a stronger sterling against the euro than in late August 2017 has pushed the GB average above last year's levels when quoted in euro. In the final week of August, prime lambs averaged 2.5% dearer than last year in euro.

GB auction market data for August indicates that lamb supplies remained tight relative to last year. At 433,300 head in the four weeks

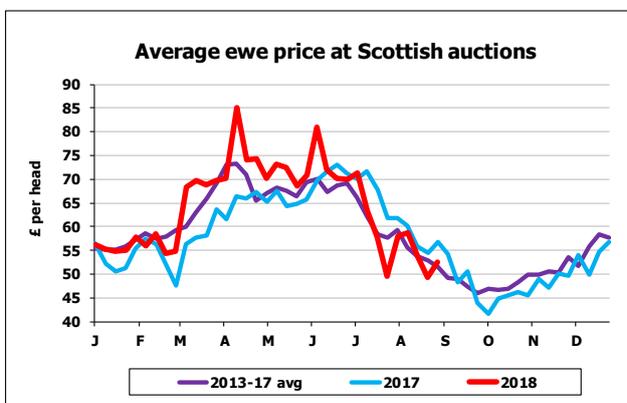
to August 29, new season lamb marketings trailed year earlier levels by 16.5%. Volumes rose sharply in the week before Eid al-Adha (week ending August 15) before falling back again, and were 36% higher than their weekly average for the month, compared to an 8% uplift between the August weekly average and the peak pre-Eid week in August 2017. 80.2% of the lambs sold weighed within the 25.5-45.5kg SQQ weight range during August, down from 82.9% in the previous four-week period and from 85.6% in August 2017. In Scotland, prime lamb marketings fell by 30% from last year during August and the proportion classed as SQQ fell by 1.4 percentage points on the month and 6.5 points on the year to 77.8%.



Scottish abattoirs continued to process fewer prime sheep than a year earlier in July. However, the year-on-year rate of decline remained significantly lower than it had been during April and May, with numbers falling 3.3% short of last year in July following June's 2% decline. Slaughter totalled 77,150 head, at a weekly average of 19,285. This weekly average continued to climb seasonally, up 30.6% from June, but this was slightly slower than the June to July lift in 2017. Meanwhile,

NI slaughter data from DAERA showed a further sharp decline in lamb slaughter relative to 2017, with numbers down 16%. The working-day-adjusted E&W kill was down 7%.

Lamb carcass weights at Scottish abattoirs rebounded in July, exceeding 2017 levels by 0.4kg (2.1%) at 20.1kg. This limited the decline in lamb production volumes to -1.3%. In contrast to 2017, when weights had been 0.2kg lighter in July than June, the average carcass weight rose by 0.6kg on the month.

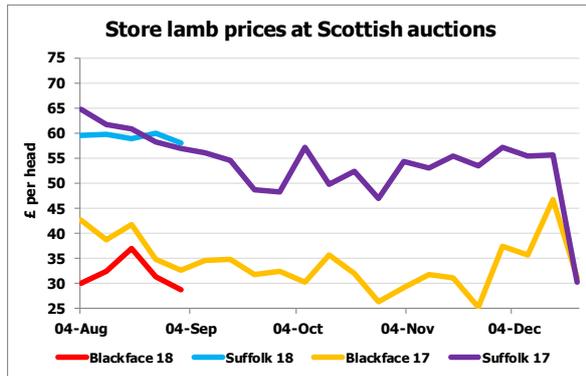


Cull ewe prices have fallen seasonally since the beginning of July at Scottish auctions, with the three-week rolling average price dipping from £70.50 per head on July 4 to £51.90 at the end of August. As August drew to a close, prices were down by 28% on their March to June average, and 7% behind 2017 levels. Weekly marketings rose sharply in the run-up to Eid al-Adha, before slipping back to a six-week low in the final week of August. During August as a whole, auction volumes were 59% higher

than in July but trailed year earlier levels by 6.3%, averaging 7,660 head per week.

The mature sheep kill at E&W abattoirs is estimated to have declined by 7.4% year-on-year in July – its fourth consecutive decline. While the slaughter of mature sheep remained a rare activity in Scotland, with fewer than 1,800 processed over the four week period, it did jump by more than a quarter on the same month last year and carcase weights were once again well in excess of the UK average (31.2kg vs 24.9kg).

## Store Lamb Market

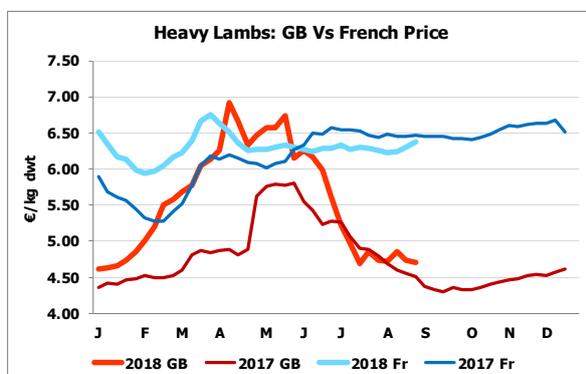


The store lamb season kicked off in August at Scottish auction markets. Reflecting a poor winter and spring, early sales volumes fell sharply, down 17.9% year-on-year in the five weeks to September 1, at 113,850 head. The average price paid for these lambs was up by 0.4% on last year at £52.01 per head. A closer look at the sales data by breed shows significant differences. Blackface numbers were down 33% on last year at 5,950 head, at an average price of £31.32 that was an 11%

shortfall on August 2017. Texel numbers were also down considerably, by 20%, but their average price was down by only 0.8%, at £56.52. Meanwhile, 12% fewer Suffolks were sold and they traded at a marginal 0.3% discount to last year, at £59.09. By contrast, Cheviot selling numbers were down the least – by 8% – and their average selling price rose by 4% on August 2017 to reach £49.29. It is possible that prices per head have been pressured by lower carcase weights and poorer condition as well as sluggish demand from buyers.

## Retail Sales (Source: Kantar Worldpanel)

In the 12 weeks to August 12, 27% of GB households bought lamb. The number of households buying lamb dropped by more than 10% from the same period last year and those buying lamb bought it less frequently. In addition to a 5.2% rise in the average retail price (to £9.04/kg), sales volumes, which fell by 14.2%, are likely to have been affected by the general tightness of lamb supply. While the volume of leg roasts retailed declined by 2.9% on last year, there were heavy declines of 14.9% for lamb chops/steaks, 18.4% for lamb mince and 35.6% for shoulder roasts. Lamb-based ready meals continued to show a contraction of around 15% in the twelve weeks to July 15.



## EU Market Prices

Following seasonal decline in June and July, EU heavy lamb<sup>2</sup> prices proved more stable in August. At €4.68/kg (£4.22/kg dwt) in the week ending September 2, the EU average traded 0.8% lower than it had opened August, with prices tending to fall in northern Europe while rising further south. In France, after a prolonged period of stability, the market picked up around Eid al-Adha. A small lift at Eid was also noticeable in Germany and

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

Romania, but the festival had less of an impact on prices in Belgium, Ireland and Sweden. Despite being more stable in August, EU heavy lamb prices remained behind year earlier levels, down 5.4%. When quoted in sterling, the EU average edged 0.5% higher on the month but trailed the final week of August 2017 by 7.6%.

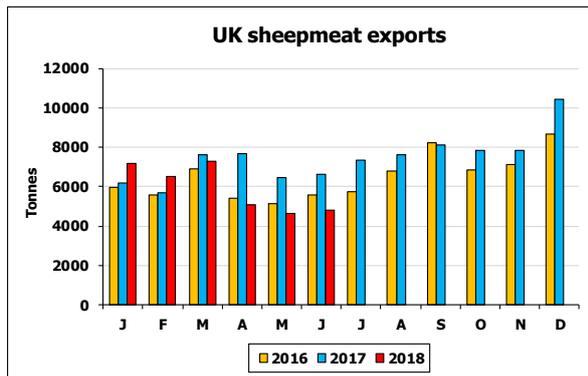
The EU light lamb<sup>3</sup> average trended slightly higher through June and July before gathering pace in August. After increasing from €5.08/kg (459p/kg) in early June to close July at €5.31/kg (479p/kg), prices had climbed to €5.76/kg (520p/kg) by the end of August. At this level, prices were up 7.1% on the month, but they continued to trail 2017 levels, down 0.5%.

Prime sheep prices in euro terms (c/kg dwt)			
	w/e 02/09/18	% change v 05/08/18	% change y/y
<b>Heavy lambs</b>			
Belgium	488.2	-4.4	-8.1
Germany	547.3	-0.2	-2.1
Spain	590.1	+15.1	+2.9
France	638.0	+1.9	-1.1
Ireland	430.1	-12.4	-3.2
Italy	513.0	+5.3	-1.5
Romania	197.1	-1.8	-9.4
Sweden	393.3	-15.4	-18.4
GB	471.3	-0.4	+2.6
NI	407.2	-7.2	+3.5
EU	467.8	-0.8	-5.4
NZ (17kg)	472.0	+1.4	+14.0
<b>Light lambs</b>			
Bulgaria	542.8	-5.4 (v 29/7)	-3.7
Greece	486.7	+1.3	-4.2
Spain	640.0	+14.6	+2.4
Italy	603.0	+3.3	-5.0
Hungary	566.1	-0.4	-1.6
Portugal	501.2	+1.6	+21.3
EU	575.8	+7.1	-0.5

## UK Export & Import Statistics

Provisional UK trade figures for June reflect that tight supplies continued to restrict sheepmeat exports. Following a strong start to the year, June was the fourth month of declines relative to 2017, with volumes down 27.7% at 4,800t. This meant that exports trailed their five-year average by a third and were at a 16-year low for the month. During Q2, exports fell by 30% to 14,500t. Exports were four percentage points lower than a year earlier as a share of UK production in June, at 24.2%. During Q2 as a whole, exports were equivalent to 24.6% of production compared to 29.8% in Q2 2017.

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

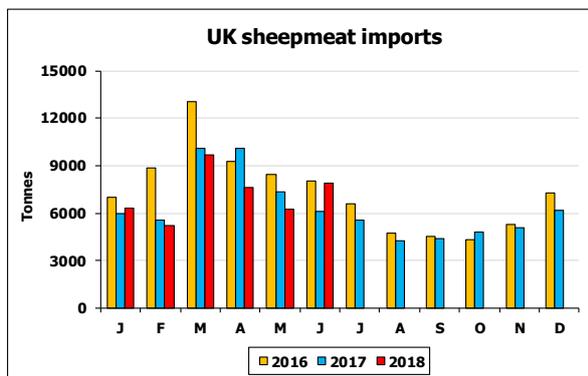


UK sheepmeat exports to the EU continued to fall heavily relative to last year in June, down 26.3% at 2,100t. Exports to France recovered for a second month but remained well below 2017 levels, down 32.6% at 2,100t. This gave France a 44.1% share of UK exports – a 2018-high, though still 3.1 percentage points behind last year. Sales to the second, third and fourth largest markets – Germany, Ireland and Belgium – fell at below average rates of 23.4%, 14.1% and 11.7% respectively, but

exports to the Netherlands declined by 36.2%.

UK sheepmeat exports to non-EU countries contracted by 60% year-on-year to a total of less than 120t in June. They were last lower than this back in April 2016. As a proportion of total exports, non-EU countries accounted for only 2.5% in June; up a fraction on May but less than half of their year-to-date average. Shipments to Hong Kong (HK) slumped to a 26-month low of 75t but increased their share of the non-EU total to 63% from below 40% in the same month last year.

Following four months of declining imports relative to a year earlier, the UK imported 30% more sheepmeat during June than in the same month of 2017. Volumes grew to 7,900t, but this was still 1% below the five-year average for June. In addition, despite substantial growth in June, the 21,800t imported during Q2 was a 7.3% shortfall on the same period of 2017.



June was only the third month in twenty-two that the UK brought in more sheepmeat from New Zealand (NZ) than a year earlier, as volumes jumped by 33.7% to 5,500t. This was 69.8% of total imports, up two percentage points on the year. For a 21<sup>st</sup> consecutive month, the average import price of sheepmeat from NZ exceeded year earlier levels in June, running 3.6% higher at £4,960/t. This was one-third above the 2013-17 average import value per tonne for June.

Imports from Australia also grew strongly relative to a year earlier in June, lifting to a seven-month high of 1,100t and exceeding the June 2017 total of just over 400t. At £5,050/t, sheepmeat arriving from Australia was dearer than last year by an average of 8.9% and was more expensive than NZ sheepmeat for the first time in nine months. Provisional import figures from Ireland suggest that volumes edged higher to 560t.

## Global Market Round Up

After a tightly supplied start to the 2018 lamb crop year, Irish abattoirs became slightly better supplied than last year in July, before throughput rose strongly in August. Indeed, having fallen by 6.6% in May and June, volumes edged 0.5% higher in July, before climbing by 14.6% year-on-year in the four weeks to August 25. In part, this August increase was driven by the earlier Eid al-Adha, with the period covering both of the main procurement weeks this year but only the first of these from 2017. Comparing the two peak procurement weeks from 2018 (weeks ending 18<sup>th</sup> and 25<sup>th</sup>) with those in 2017 (weeks ending 26<sup>th</sup> August and 2<sup>nd</sup> September) points to a 7% higher kill for Eid al-Adha 2018.

According to French customs data, France's sheepmeat imports were down by 14.9% year-on-year in June at 6,700t. Within this headline, imports from EU countries declined by 15.3% to 5,550t, while volumes arriving from third countries contracted by 12.6% to 1,150t. Taking EU suppliers first, tight supplies in both the UK and Ireland restricted shipments, with volumes down by 37.2% and 29.5% respectively, to 1,950t and 1,350t. Some of this gap was filled by Spanish sheepmeat, with imports from Spain doubling to 1,900t. Other small suppliers from the EU delivered significantly less than twelve months before. Looking at third countries, imports from NZ contracted by 22% to 960t, but sheepmeat from Argentina and Australia grew from a very low base. During the first half of 2018 (H1), total imports fell by 4% year-on-year to 43,500t, of which just over a third came from the UK (down from 40% in H1 2017). Spain was the only country to increase sales to France, overtaking Ireland and NZ to become the second largest supplier.

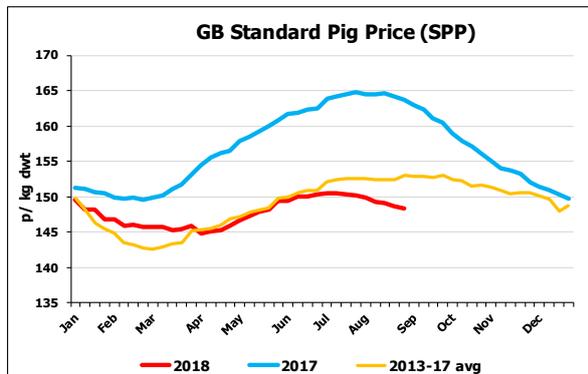
Although prime lamb throughput at NZ abattoirs fell back seasonally in July, it returned to year-on-year growth following June's decline. July slaughter totalled 878,800 head and as well as being up 11.6% on the same month last year, it was a three-year high for the month. However, this was the lowest monthly total of the October 2017 to September 2018 season-to-date. With slaughterings for the final two months of the season yet to be reported, the kill is running 2.8% above 2016/17 levels, against Beef + Lamb NZ's expectation of little change. While drought in late 2017 pushed up slaughter in the early part of the season, 2018 has seen adequate rainfall levels support good pasture condition, boosting lamb growth rates. As a result, carcase weights were up by an average of 0.4kg on the year in July at 20kg. This turned the 11.6% increase in slaughterings into a 14% increase in lamb production.

Looking forward to 2018/19, Beef + Lamb NZ has released its June 2018 Stock Number Survey results, suggesting that lamb numbers are likely to tighten. The lamb crop is forecast to be down by 3.8% at 22.78m head as a result of a 2.1% contraction in the breeding ewe flock and poorer scanning rates than in the previous year; this latter point being somewhat surprising given reports that ewes had been in good condition at mating. This decline has also been forecast despite an increased number of ewe hoggs being retained for breeding. The further contraction in the breeding flock has been linked to strong farmgate prices for ewes and a shortage of labour; the latter point reportedly having greater impact on sheep farms than beef or dairy which are less labour-intensive in NZ.

In addition to a sharp decline in weekly slaughter since June, a strong export trade has supported the surge in farmgate lamb prices in Australia this summer (in early September the Eastern States Trade Lamb price showed a year-on-year increase of 41% to AUD8.57/kg (478p/kg dwt)). Figures for the May to July period show a 23.5% increase in lamb exports compared to the same quarter last year, climbing to 76,750t. This marks an uplift from a year-to-date increase of 15% over the January to July period. China underpinned overall shipments between May and July, exceeding year earlier levels by 40% at 16,400t. This saw it overtake the US as Australia's principal market for the period, accounting for 21.4% of exports compared to 18.9% in the same period of 2017. Shipments to the US rose at a below average rate of 15.8% to reach 15,250t, giving it a 19.9% share of May to July volumes compared to 21.2% in 2017. Of the main Middle Eastern markets, exports to Qatar rose at a slightly above average rate, sales to the UAE rose slightly slower than average and Jordan grew at a more sluggish 6%. By contrast, trade with Japan, Malaysia and Papua New Guinea contracted. The UK was the strongest growing of the main markets, up 45% at 1,700t; though this volume was only 2.2% of Australia's exports.

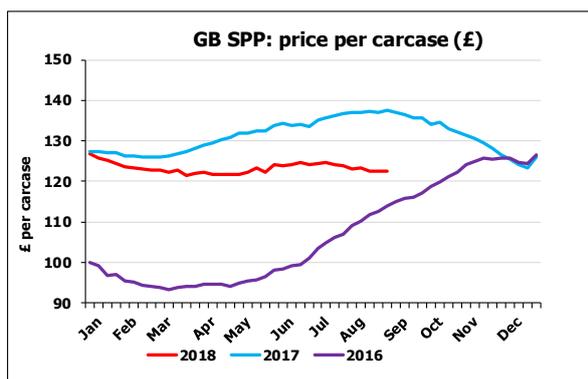
# Pigs

## Domestic Market

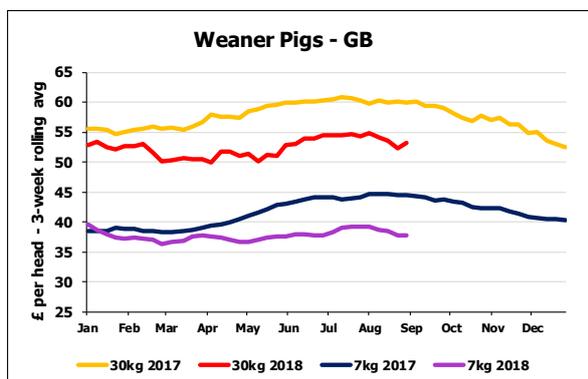


Prime pig prices have been facing some seasonal downwards pressure since mid-July. The GB Standard Pig Price (SPP) fell for seven consecutive weeks to close August 2.19p lower than its 2018-peak of 150.47p/kg dwt. The year-on-year price differential had widened steadily since the start of the year, before stabilising at -9.4% from mid-August onwards, reflecting similar price movements to August 2017.

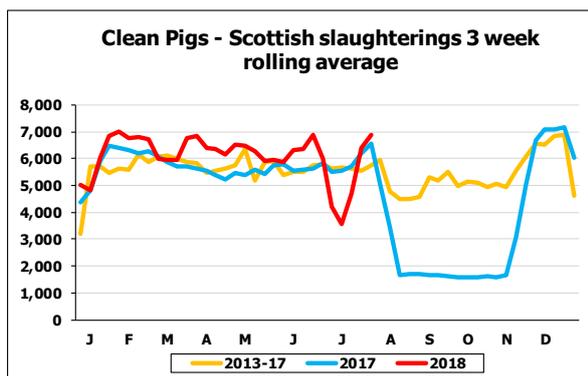
Numbers of prime pigs handled by reporting abattoirs have picked up from their seasonal low, averaging 2.5% higher each week in August than in July and 3% above their June level. However, carcase weights had been continuing to edge lower until mid-August, before showing signs of lifting again towards the end of the month. Indeed, the average weight reached a seven-week high of 82.66kg at the end of August.



With carcase weights showing signs of lifting from their seasonal low point in the second half of August, the average price per carcase fell more slowly and then edged up in the final week of the month, ending August at £122.57. This was down by 0.3% from the first week of the month, compared to a 1% fall in the price per kilo. However, it was down by 1.8% from its mid-July peak, compared to a 1.5% fall in the per kilo price. Compared to late August 2017, the carcase price traded at a 10.9% discount, reflecting the 9.4% decline in per kilo price and a 1.6% decline in the average carcase weight.



Prices for 30kg weaners have shown considerable volatility in 2018, and in 9 of the first 35 weeks of the year, no price was quoted, suggesting a small sample size. After trading at around the £50 a head level in the spring, prices firmed through May, June and July, with the three-week rolling average almost reaching £55 as August commenced. Since then, prices look to have cooled back towards £53; though there was another lift in the final week of August. Prices paid for 7kg weaners also rose seasonally in July before dipping back. The three-week rolling average climbed from around £38 in June to a peak of around £39.30 in late July, before ending August at £37.80. As a proportion of the SPP finished carcase price, 7kg weaners traded at 30.8% in the three weeks to late August, while 30kg weaners were at 43.6% of it. This proportion was down slightly on both the month and the year for the older group, and down by around one percentage point on the month and two points on the year for the younger group.



A shortage of carbon dioxide constrained prime pig slaughter at Scottish abattoirs during the first half of July. Despite recovering in the second half of the month, throughput fell 12.1% short of July 2017 levels, at 20,800 head.

Working-day-adjusted throughput for E&W abattoirs posted a twelfth successive month of year-on-year growth in July, rising 2.2%, while DAERA figures point to a slightly faster

3.6% increase in NI. NI slaughter was underpinned by a 5.3% increase in imported pigs, while 3% more home produced pigs were processed. Imports accounted for 27.7% of slaughterings in NI, up 0.5 percentage points on the same month last year.

For the fourth time in five years, the UK average carcass weight for prime pigs declined between June and July, sliding by 0.4kg to 82.2kg. This kept it above 2017 levels and at a record high for the month; although the margin of increase did slow from June's 1%. July carcass weights averaged 3.6% below those of the opening month of 2018 compared to an average decline of 3.1% between January and July over a five-year period.

Scottish abattoirs now have the capacity to handle the majority of Scottish-born sows being sent for slaughter. However, the carbon dioxide shortage appears to have had a longer-lasting impact on sow slaughtering than it had on the prime kill in Scotland, leading to very few sows being processed north of the border between the final week of June and late July. Processing did however resume in the week ending August 4. In E&W, working-day adjusted sow throughput rose by 16% on last year during July.

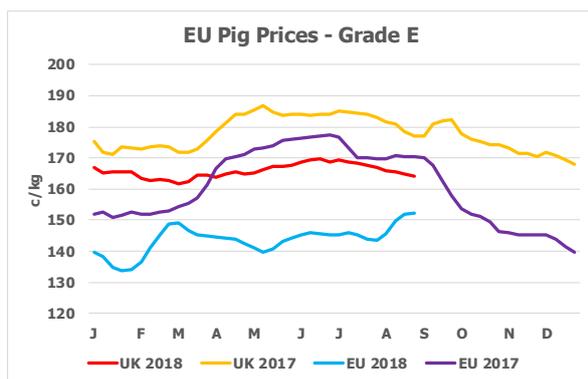
### Retail Sales (Source: Kantar Worldpanel)

During the twelve weeks to August 12, 48.5% of GB households bought pork. Relative to a year earlier, the number of households buying pork fell by 0.7% and they bought it on marginally fewer occasions. This decline came despite a fall in the average retail price relative to last year – the first time this has been the case for well over a year. On average, pork was 1.1% cheaper than a year earlier at £4.78/kg. Total spending on pork decreased by 4.1% on the same period of 2017 and sales volumes were down by 3%. A breakdown into product groupings showed that sales of chops & steaks and leg roasts fell at slightly above average rates, while loin roast sales were down by almost a half. However, shoulder roast volumes rose by 4.6%.

All categories of processed pork products did show volume growth in the twelve weeks to July 15. Pork pies led the way, up 4.5%, followed closely by pork sausages, up 3.7%. Meanwhile, sausage rolls posted a 1.5% increase and sliced cooked deli meats rose by 1.8%, but bacon saw a more modest 0.7% lift. Pork-based ready meals also increased in popularity, with sales up 6.2%.

### EU Market Prices

After some stability at around €1.45/kg dwt (131p/kg dwt) for much of June and July, the EU average grade E pig price edged down to €1.43/kg (129p/kg) in the first week of August. However, with seasonal demand lifting for the main European holiday period, prices bounced



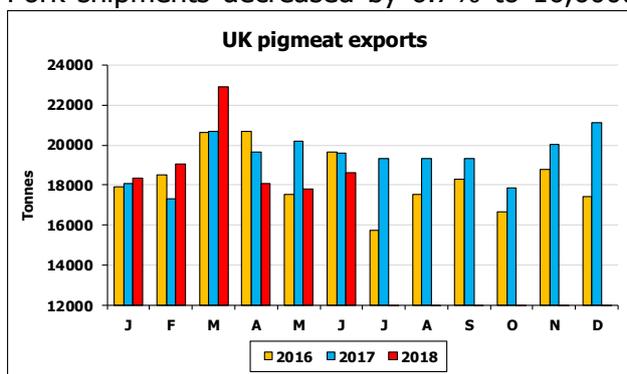
to end August at €1.52/kg (137p/kg). This marked a 6.2% increase on the month but meant that the market continued to clear well below 2017 levels, down 10.6%. However, a weekly price forecast for the key German market suggests that the market has softened significantly at the beginning of September. In sterling, the EU average climbed 7.5% on the month but traded at a year-on-year discount of 12.6%. With the UK average price sliding seasonally while prices have firmed on

the continent, the UK premium over the EU average has fallen back sharply, halving from 16% for much of June and July down to 8% in late August. Nevertheless, the differential had been much smaller in the summer of 2017, ending August at 4%.

EU Grade E Pig Prices in euro terms (c/kg dwt)			
	w/e 02/09/18	% change v 05/08	% change y/y
Belgium	131.8	+13.4	-11.8
Denmark	132.4	+3.8	-13.8
Germany	159.7	+10.5	-8.4
Spain	151.9	-0.1	-13.4
France	137.0	+3.8	-11.0
Netherlands	137.1	+9.7	-10.1
Poland	153.8	+9.4	-10.1
UK	164.1	-1.6	-7.3
EU	152.3	+6.2	-10.6

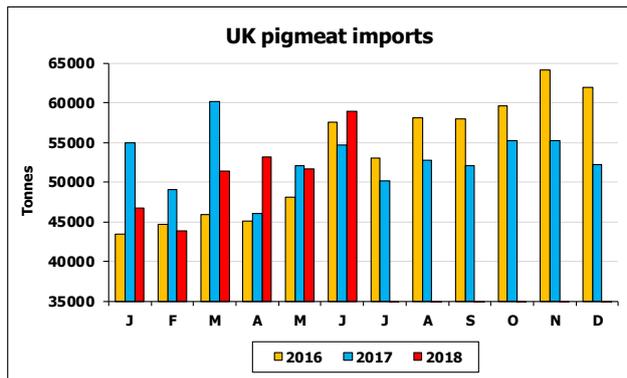
## UK Export & Import Statistics

UK pigmeat exports showed a third month of year-on-year decline in June, down 5% at 18,600t – a three-year low for the month. Nevertheless, monthly exports still exceeded their June 2013-17 average by 10.4%. During Q2 as a whole, exports fell by 8.3% to 54,500t. Pork shipments decreased by 6.7% to 16,600t in June, but this was partially offset by an



11.5% rise in exports of bacon & ham, which exceeded 2,000t for the first time in any month since March 2012. Exports are estimated to have accounted for 26% of UK pigmeat production in June, up 2.9 percentage points on the month but one point lower than in the same month last year. During Q2, exports were equivalent to 24.2% of pigmeat production; significantly lower than Q2 2017's 27.6%.

UK pork exports to China/Hong Kong continued to fall well short of year earlier levels in June, trailing 2017 levels by 27.4% at 3,100t. This was 18.7% of total pork exports, compared to June 2017's 24.1% and placed China level with Germany and behind Ireland. Exports to Germany were up 12.4% on the year while the 3,200t shipped to the Irish Republic marked an 8.4% increase. Like China, sales to Denmark and Holland fell considerably, down by around 35-40%.



Imports of pigmeat to the UK rose by 7.8% year-on-year in June to reach 59,000t, placing them 12.7% in front of their 2013-17 average for the month. This also helped lift Q2 volumes 7.1% above 2017 levels, following three consecutive quarters of significant declines. Pork imports rose by 4.9% to 39,000t, while the volume of bacon & ham arriving in the UK rose by 13.8% to 20,000t. This meant that pork accounted for 66.1% of pigmeat imports, down from 70.8% in May and from 67.9% in the same month last year.

Denmark supplied 32.6% of the UK's pork imports during June with volumes totalling 12,700t. However, this was down marginally on the same month last year and a three-year low for the month. By contrast, imports from Germany surged by 38% on last year to reach 9,200t and a 23.7% share of the total. However, the Netherlands supplied 7.2% less than last year, with volumes slipping to 4,500t. Imports from Spain, Poland and France also declined, but more pork arrived from Belgium and Ireland.

Provisional trade data for June suggests that there was a significant rebalancing of the UK's bacon & ham imports. Indeed, whereas imports from the Netherlands rose by 26% year-on-year to 10,200t and the volume arriving from Germany nearly doubled to 7,200t, only 860t arrived from Denmark, compared to 4,300t in June 2017. This indicates that the Netherlands' share rose by five percentage points on the year to 51.2%, while Germany's share jumped from 21% to 36.1% but the Danish share dipped by 20.1 points to 4.3%.

## Feed Market

Having shown some signs of stability in June after trending higher through the spring, feed prices picked up again in late July and this upwards pressure continued into August. By August 8, feed wheat traded at £192/t and feed barley reached £170/t in North East Scotland. These were up by 15-20% from the start of July and around 40% higher than a year earlier, with feed grain at its dearest since the beginning of the summer of 2013. This reflected the likelihood of a significantly smaller global grain crop, due to drought in northern Europe, the Black Sea region, the US, and Australia. As August progressed wheat prices cooled and traded at £173/t in early September, but the barley market steadied. This left the former 23.6% higher than last year while the latter was up 41.7%.

Soyameal prices fell back towards the end of August, reflecting expectations of a bumper US crop this year. This left the cost of imported soyameal at around £320 as September began; its lowest level since January, though still nearly 10% more expensive than last year.

## Global Market Round Up

According to Eurostat data, EU pigmeat production expanded at an annual rate of 4% in Q2 2018 to reach 5.88m tonnes. Slaughter numbers rose by 3.1% to 63.5m head and the average carcase weight showed a 0.8kg (0.9%) increase to 92.6kg (well above the UK average weight of 84.4kg). Across the main pigmeat producing nations, production rose in France (1.8%), the Netherlands (2.9%), Belgium (4.7%), the UK (4.9%), Poland (5.4%), Spain (10.9%) and Denmark (17.5%), but contracted by 1.9% in Italy and by 2.2% in Germany. Germany was

the largest pigmeat producer, taking a 22.2% share, followed by Spain on 19%. France was third on 9.1%, while the UK was in ninth with a share of 3.8%.

The globally important Chinese pigmeat market has seen a significant upturn in recent weeks. According to price reports from China's Ministry of Agriculture, a prolonged downturn in wholesale prices came to an end in May, with price then edging higher before steadying in June. Since early July, the wholesale cost of pork has risen by more than 17.5%, to be 23% above its May low, trading at an average of 19.5 yuan/kg (£2.20/kg) in the final week of August. This was a six-month high and meant that the year-on-year discount had narrowed to 4.2%, compared with a year-on-year decline of more than a quarter in early May. Nevertheless, pork was still 22% cheaper than it had been in late August 2015 and 2016. With beef and lamb wholesale prices continuing to stabilise, pork has given back some of its price competitiveness gains of the last year, rising from 29-30% of the beef and lamb price in the second quarter of the year to 34-35% of them in late August. Meanwhile, pork's premium over chicken approached 30% for the first time in more than six months. For context, in late August 2017, pork had traded at 38% of the beef price, 44% of the lamb price and at a 45% premium to the cost of chicken.

During August and the first week of September, China notified eleven cases of African Swine Fever (ASF) to the World Organisation for Animal Health (OIE). Unlike in the EU, not all these incidents were reported on farms, with one being discovered in an abattoir lairage after pigs had been transported 2,250km from an auction market in Heilongjiang Province, near China's north eastern border with Russia, to Henan – an inland Province between Beijing and Shanghai. Meanwhile, in Romania, some of the EU's largest pig units have been hit by the disease, with four farms in Braila County (on the Danube, near the border with Moldova) having to dispose of a total of 174,100 pigs between them. Based on December 2017 census figures from Eurostat, this was almost 4% of the country's pig population. Meanwhile, Bulgaria notified its first case on the final day of August.

Increased tariffs placed on US pork by the Chinese authorities in April continued to have a significant impact on US pork exports to China in June. Data from the US Meat Export Federation shows that volumes declined by 41% on the same month last year to 7,400t in June, following on from a 46% decline in May. Beginning on April 2, most cuts of US pork saw their tariff raised from the general 12% level faced by all exporters up to 37%. Since the latest trade data was compiled, China raised tariffs on US pork by another 25% in early July, suggesting a further contraction in trade is likely to have occurred. In addition to higher tariffs, US pork is also facing increased checks at the Chinese border, adding time to the customs clearance process.

**Iain Macdonald – September 2018**

**QMS**