



## **MARKET REPORT - February 2019**

### ***Key Points***

#### ***Cattle***

- Farmgate prices continued to decline seasonally through February. Steers ended February down by 1.9% on the month and by 3.7% on the year, at 352.6p/kg.
- Cow prices showed further seasonal increase through February, with the O+3 grade rising by 4.1% to 250.1p/kg. Nevertheless, they continued to trail 2018 levels by a significant degree, down 12.1%.
- In general, store cattle prices lacked direction through February but generally traded 3-5% below 2018 levels. They worth around two-thirds of a finished carcass price.
- Prime cattle slaughter exceeded year earlier levels by 6% in February. After stripping out the snow-disrupted week in late February 2018 from the comparison, slaughter still rose by more than 1%, driven by heifers. Cow slaughter continued to show a significant year-on-year decline.
- Average prime cattle carcass weights remained slightly above year earlier levels in February, adding to the year-on-year expansion of prime beef production.
- Retail sales of beef struggled relative to a year earlier during the winter, sliding by around 2.5% in value and volume at the GB level.
- Provisional trade data points to small year-on-year declines in the UK's beef exports and imports in January. However, trade volumes were still 6-7% above their 2014-18 average for the month. Imports continued to rebalance towards frozen product.
- For a second month, Irish prime cattle prices declined in sterling terms due to a rise in the value of sterling against the euro. While stable since the autumn, prices remained around 5% lower than last year in euro.
- Irish export abattoir throughput continued to run considerably higher than year earlier levels during February. Similar to Scotland, heifers underpinned the increased kill.
- At the EU level, December census data points to a small increase in slaughter availability in 2019.

#### ***Sheep***

- Prime sheep prices cooled during February at Scottish auctions, counter to their historic seasonal trend.
- Auction prices went from running higher year-on-year in January to be 1% behind at the end of February.
- Auction marketings continued to trail year earlier levels at Scottish auctions in February, down 17%, while a higher proportion of hogs were out-with the SQQ weight range.
- Heavy hogs have continued to trade at a significant discount
- At Scottish abattoirs, slaughter numbers and carcass weights continued to exceed year earlier levels in February following a strong end to 2018. Hogg slaughter rose by 9.8%

and prime sheepmeat production by 12.3%. Slaughter continued to decline south of the border.

- Household spending growth on lamb slipped back to be only marginal in the 12 weeks to late February. Higher prices saw this convert into a 3% decline in sales volumes.
- UK sheepmeat exports began 2019 with a significant decline. Meanwhile, import volumes were a fifth lower year-on-year and at their lowest January level this century. 76% of imports arrived from EU countries.
- The French market continued to prove well-supplied in January. Farmgate prices recovered seasonally in February but remained below 2018 levels.
- Irish supplies have contracted considerably in early 2019. Farmgate prices eased after briefly pushing above the GB average.
- In NZ, good pasture conditions have resulted in a more normal marketing pattern, resulting in a sharp reduction in slaughter relative to a year earlier in late 2018 and early 2019. Farmgate prices slipped below year earlier levels in late February. NZ lamb exports have been rebalanced away from the EU and Middle East towards China and the USA.

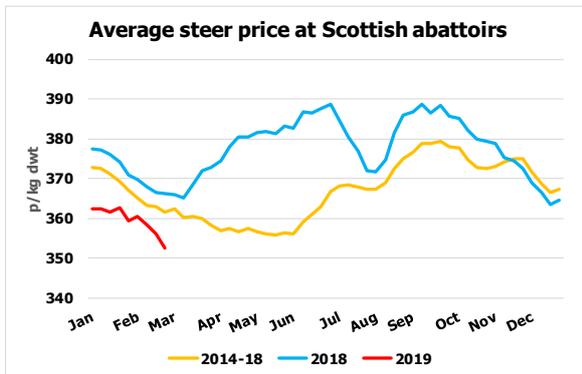
## ***Pigs***

- A seasonal downturn in prime pig prices showed signs of coming to an end in late February. At 137.5p/kg dwt, the GB SPP ended February down 5.5% on the year.
- Data from price reporting abattoirs suggests that slaughter volumes eased back on a weekly basis in February. However, higher carcass weights boosted production and limited the year-on-year reduction in the average price per carcass to around 4.5%.
- 7kg weaner values remained stable, narrowing their deficit to last year to around 1%. At around £30, they were equivalent to 36% of the final carcass price.
- Prime pig throughput was little different in February to where it had been in the first month of the year. Volumes rose year-on-year but were down once the snow-related disruption of February 2018 has been accounted for.
- Household spending on pork steadied relative to a year earlier over the winter. Price reductions meant that sales volumes increased.
- UK trade data points to growth in UK pigmeat imports and exports at the beginning of 2019.
- Although the majority of the UK's pork exports were destined for the EU, they were less reliant on the EU market than beef and lamb.
- The market for feed grain rebalanced during February with global supplies proving better than had been forecast while sterling strengthened. However, wheat and barley were still around 10% dearer than last year. Meanwhile, further declines in soyameal prices saw it trade 15% cheaper than last year, reflecting global supply and currency.
- EU pork exports rebounded to growth in January. December census data points to a marginal increase in slaughter availability in early 2019 but supplies look set to decline later in the year.
- Wholesale pork prices continued to decrease through February in China following Chinese New Year celebrations. Market analysts expect the market to rebalance, tightening as 2019 progresses as the impact of African Swine Fever passes through the supply chain.

**Iain Macdonald, March 2019**

## Cattle

### Prime Deadweight Price Reports



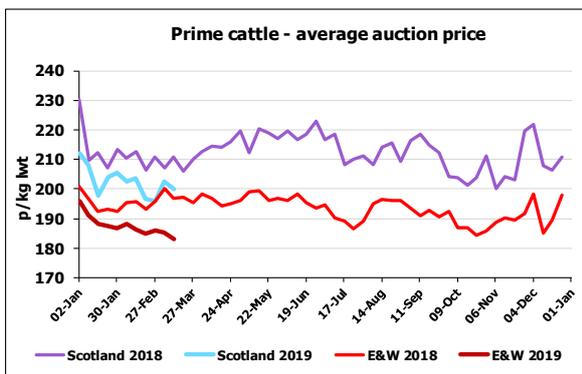
Prime cattle prices have been on a seasonal downwards trend since the beginning of the year. Following a monthly decline of 1.4% in January, the average steer price at reporting Scottish abattoirs fell by a further 1.9% in February, closing the month at 352.6p/kg dwt. As well as being a year-on-year shortfall of 3.7%, it was at its lowest level since July 2016. Meanwhile, the average price paid for an R4L steer followed a 1.6% monthly decline in January with a 1.5% fall in February, ending

the month at 358.1p/kg. This was 3.6% below the same week last year.

In the four weeks to March 2, reporting Scottish abattoirs handled 1.1% more prime cattle than in the previous four-week period and 9.9% more than in the same period of 2018. Please note that this year-on-year comparison was impacted by the snowstorms of the final week of February 2018. In the first three weeks of February, volumes exceeded year earlier levels by 4.5%. Around one percentage point of this increase can be attributed to a slightly higher proportion of prime cattle being slaughtered in price reporting abattoirs.

The premium for an R4L grade steer at Scottish abattoirs compared to England & Wales continued to decline seasonally in February. From an average of 4.2p in January it slipped to 3.2p in February. However, this placed it at less than half its year earlier level of 7.9p. Meanwhile, the premium at Scottish abattoirs for R4L steers over -U4L steers edged back above 1p/kg for the first time since October, averaging 1.3p. For heifers, the premium for -U4L grades over R4L grades slipped marginally to 4.7p from 4.9p in the opening month of the year. These contrasting premia continue to signal that penalties for heavy carcass weights are in place, pressuring prices for -U grade steers.

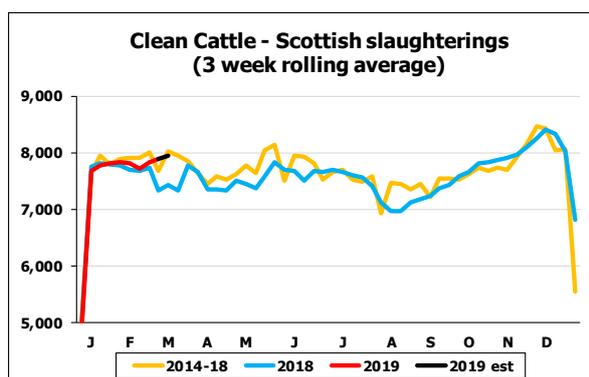
### Prime Auctions



After steadying between mid-January and mid-February, the average prime cattle price fell back significantly at Scottish auctions in the second half of February. Prices fell to average 196p/kg for two weeks, compared to an average of 204p/kg in the previous six weeks. However, there was a recovery to 202.7p/kg in the first week of March. On a three-week rolling average basis, prices traded below the £2 a kilo mark for the first time since November 2016 and were at a year-on-year

discount of 4.7%. Throughput averaged 320 head per week in February, down marginally from January and from the same period last year. In 2018, auction volumes were equivalent to around 4% of prime cattle slaughterings in Scotland.

## Abattoir Data



Slaughter statistics for February 2019 are based on a four-week statistical month for Scotland and Northern Ireland (NI), running from February 3 to March 2. For E&W, slaughterings are based on the calendar month and have been adjusted for working days.

Prime cattle slaughter stabilised at Scottish abattoirs in the first half of February before picking up strongly in the second half of the

month. During the month, numbers exceeded year earlier levels by 6% at 31,400 head. However, this year-on-year increase partly reflects the reduced kill in the final week of February 2018, when snowstorms had disrupted transport. To take account of this, once the last week of February has been removed from 2018 figures, the average weekly kill rose by 1.3% on the year. According to DAERA figures, the prime kill at NI abattoirs rose by 4.4% on the year in February, while Defra statistics showed a sixth consecutive expansion at E&W abattoirs, climbing 3.3%, once again underpinned by heifers.

Average weekly kill at Scottish abattoirs (head)					
	Steers	Heifers	Young bulls	Prime Cattle	Mature cattle
February 2019	4,183	3,330	334	7,847	1,345
January 2019	3,798	3,085	327	7,211	1,201
February 2018	4,070	3,019	317	7,405	1,436

Heifers continued to drive the kill higher in Scotland, rising 10.3% on the year, while young bull throughput rose by 5.5% and steers by 2.8%. However, once the final week of February 2018 has been removed from the weekly average kill, steers showed a 1.8% decline, compared to increases of 1.4% for young bulls and 5.4% for heifers. Heifers accounted for 42.4% of the kill, compared to 42.8% in January and 40.8% in February 2018.

Average carcass weights at Scottish abattoirs (kg)					
	Steers	Heifers	Young bulls	Prime Cattle	Cows
February 2019	391.4	353.8	347.1	373.7	361.8
January 2019	388.1	351.0	356.7	371.0	361.7
February 2018	389.9	351.7	341.2	371.1	344.0

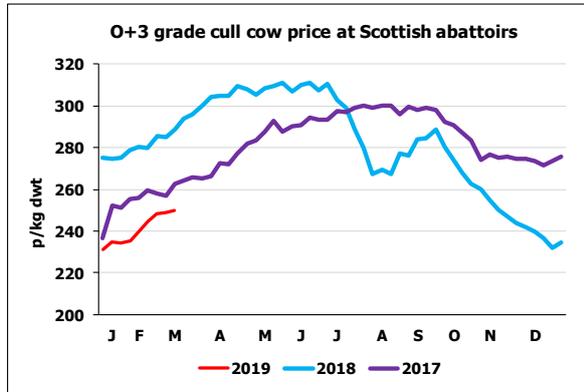
The average carcass weight of the prime cattle processed by Scottish abattoirs continued to rise seasonally in February. However, the year-on-year rate of increase did soften to 0.3% from January's 0.7%, with carcass weights 1.2kg heavier. Steer carcass weights averaged higher than a year earlier for the ninth month in a row, up 1.5kg (0.4%).

Combining February's year-on-year increase in throughput of 6% with a small increase in average carcass weights meant that prime beef production exceeded year earlier levels by 6.3% at Scottish abattoirs.

The average price paid by Scottish abattoirs for a steer carcass during February came in at £1,397. This was £6 cheaper on the month (-0.5%) and fell £36 (2.6%) short of year earlier

levels. Compared to last year, the average price per kilo was 2.9% lower at 356.9p/kg but this was partially offset by the slightly higher average carcase weight.

## Cow Prices



Cull cow prices continued to trend higher seasonally in February. Following a 2.3% increase in January, the O+3 grade price firmed by another 4.1% in February, closing the month at 250.1p/kg. While this represented a four-month high, prices still traded at a significant year-on-year discount of 12.1%. Numbers processed by reporting abattoirs slipped back from January, falling 11.9% in the four weeks to March 2, compared to the preceding four-week period. This was slightly larger than had been seen between the

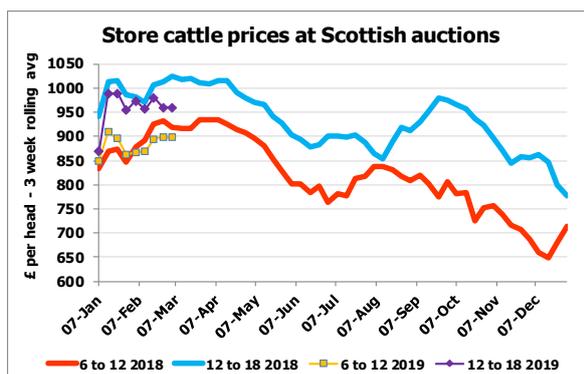
same two periods last year, despite the disruptive impact of snowstorms in the final week of February 2018. Numbers continued to fall sharply relative to last year, down 18%.

Cull cow prices rose seasonally at Scottish auctions in early 2019 before lacking direction from mid-January to the end of February. The three-week rolling average price ended February at 108p/kg, up from 106p/kg at the end of January and 92p at the end of 2018. However, this was still sharply below year earlier levels, down 15.6%. Marketings averaged 635 head per week in the four weeks to February 27, down from 818 in the prior four weeks and 678 head in February 2018. As March began, beef cows, which accounted for 67% of marketings, averaged 119p/kg while dairy cows sold for 92p/kg.

## Cow Abattoir Data

The average weekly mature cattle kill at Scottish abattoirs picked up by 12% between January and February, compared with a 4.7% reduction in 2018. Though, due to the size of year-on-year decline in January, volumes still fell short of 2018 levels in February by 6.3%, totalling 5,400 head. However, if the final week of February 2018 is excluded, then weekly average throughput fell by a sharper 12.4% on the year. DAERA also reported a year-on-year shortfall in February, with NI abattoirs handling 15.4% fewer cows and bulls. By contrast, following the first decline in 14 months in January, Defra reported a 7.5% increase at E&W abattoirs.

Average cull cow carcass weights were little different between January and February at Scottish abattoirs, edging 0.1kg higher to 361.8kg. However, weights had fallen over the same period of 2018, raising the year-on-year increase from 4.3% in January to 5.2% in February.



## Store Cattle Market

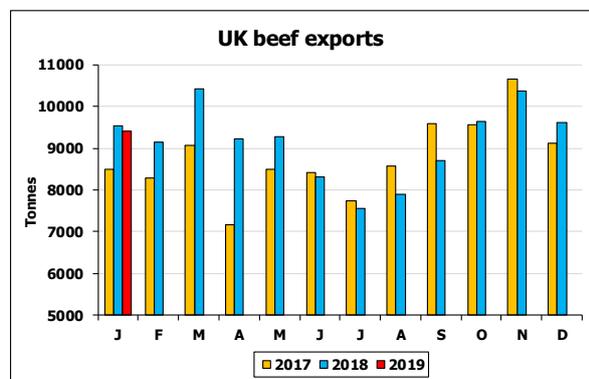
After a relatively stable start to 2019, prices paid for 6-12-month steers at Scottish auctions increased in mid-February. As a result, the three-week rolling average price ended the month £30 higher than it had opened February, at £898. This was a year-on-year decline of 2.2%. Prices for 12-18-

month steers have been more stable, at least on a three-week rolling average basis, closing February at £960, having held in a £955-980 range over a six-week period. However, since prices had risen in February 2018, prices closed the month 6.3% short of 2018. Compared to an average carcass price around £1,400, the younger group averaged 63% and the older group 70%. Marketings across the two categories were almost double January's levels, and around a fifth higher than last year. Excluding the final week of the month, which was disrupted by snow in 2018, volumes climbed 5%. During February, there was a 70:30 split between sales of 6-12 and 12-18-month steers.

### Retail Sales (Source: Kantar Worldpanel)

During the 12-week period to February 24, GB households cut spending on beef by 2.3% on a year earlier. With prices averaging little different, at £7.90/kg, this meant that sales volumes also fell by a similar extent, sliding by 2.5%. By contrast, households spent around 2% more money than in the same period a year earlier to secure a 2% higher quantity of burgers.

### UK Export & Import Statistics



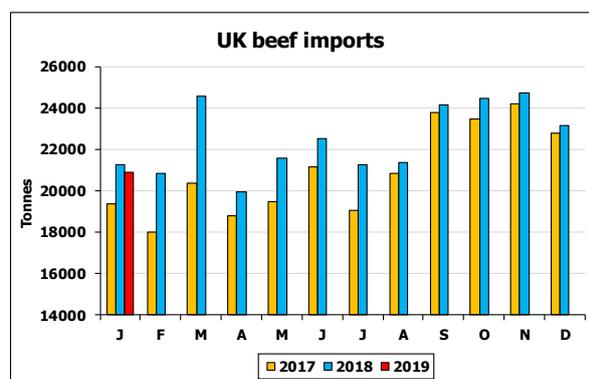
Provisional trade data from HMRC for January suggests that UK beef exports fell back behind year earlier levels for the sixth time in eight months, following a small increase in the final month of 2018. At 9,400t, volumes trailed year earlier levels by 1.3%. However, they were well above the 2014-18 average for January, running 6.1% higher.

Relative to UK beef production volumes, exports equated to 11.7% in January. This

was marginally below year earlier levels but a fraction above the average for 2018.

While overall export volumes fell slightly in January relative to a year earlier, trade with EU countries fell by 9.9% to a provisional 8,050t. This meant that exports to the EU accounted for 85.4% of total volumes, down from 94.6% in the opening month of 2018 and an 88.7% average in 2018 as a whole.

UK beef exports to non-EU countries rose strongly in the opening month of 2019. At nearly 1,400t, volumes were at their highest since May 2018 and exceeded year earlier levels by 125%.



Revised trade data for 2018 now indicates that the UK imported more beef than a year earlier in every month of 2018. However, moving into 2019, provisional import figures for January point to a reversal of this trend, with volumes down 1.9% at 20,900t. Nevertheless, this was still a 6.9% lift on the 2014-18 average for January.

A breakdown of beef imports into fresh and frozen product shows that there was a continued rebalancing away from the former to the latter in the opening month of 2019.

Indeed, having risen by 1.6% in 2018, imports of fresh beef opened 2019 with a 7.3% year-on-year fall, slipping to 13,000t. By contrast, imports of frozen beef followed a stronger 2018 increase of 21.8% with an 8.5% lift in January, reaching 7,900t. Frozen beef accounted for 37.9% of imports in the opening month of 2019, up from 34.3% in January 2018, and a five-year average of 28.3%.

Provisional UK trade data for January points to no change in beef import volumes from EU countries relative to a year earlier in January. Volumes were stable at 19,900t. However, this saw the EU share of imports rise by 1.8 percentage points on the year, reaching 95.2%.

Therefore, the overall decline in UK beef imports in January was driven by a 28% year-on-year reduction in imports from non-EU sources, which slipped to 1,000t.

Provisional Defra figures indicate that imported beef accounted for 30.3% of total UK market supply in Q4 2018, down from 32.2% in Q4 2017. Fresh product fell from 22.6% in Q4 2017 to 21.3% in Q4 2018 while frozen beef slipped from 9.6% to a 9% share.

## Key Overseas Markets Update

### EU/International Market Prices

Having drifted downwards by around 1% in January, the EU average R3 grade young bull price fell slightly in the first week of February before stabilising at around €3.71/kg (319p/kg) for the remainder of the month. As February drew to a close, prices were 0.4% lower on the month. Given that the market had also lacked direction in February 2018, prices continued to trade at a year-on-year discount of 4.9%.

The EU average O3 grade cow price continued to trend seasonally higher through February, following a 1.8% lift in January with a 1.5% gain in February. This saw the price reach an 18-week high of €2.81/kg (242p/kg). Despite a firming trade there was little change in the year-on-year price discount during February, ending the month down 6.2% in euro terms.

International cattle price comparison (p/kg dwt)						
	Steer/Young bull (R3)			Cow (O3)		
	w/e 02/03/19	% change Vs 02/02/19	% change y/y	w/e 02/03/19	% change Vs 02/02/19	% change y/y
Scotland	355.4	-1.8	-3.9	245.1	+5.1	-13.8
E & W North	356.8	-1.2	-1.2	244.2	+2.4	-11.0
E & W Central	347.3	-2.2	-4.2	242.6	+0.8	-14.4
E & W South	347.1	-3.0	-4.0	240.0	+3.7	-12.9
NI	340.0	-2.2	-3.9	230.0	-2.8	-19.0
RoI	315.4	-1.5	-8.1	228.8	-2.5	-21.0
Belgium	258.2	-1.5	-2.3	236.6	-1.2	-2.5
France	323.9	-0.8	-1.5	272.7	+0.8	-1.5
Germany	324.0	-2.5	-10.7	238.6	+1.3	-14.3
Netherlands	281.3	-8.9	-10.4	242.6	-3.5	-7.4
Spain	319.7	-3.1	-7.6	203.5	-3.0	-2.2
Poland	275.4	-3.9	-9.3	187.6	-1.4	-0.9
Italy	347.6	-2.9	-3.6	239.8	+1.5	-8.9

Sweden	344.7	-2.7	-11.3	310.8	-4.6	-13.6
EU28	317.7	-2.2	-5.7	241.9	+0.1	-8.8
EU prices converted at a weekly € value of:	86.0p	87.3p	88.5p	86.0p	87.3p	88.5p
USA	341.8 (steer)	+2.5	+5.2	191.0 (cutter cow)	+10.7	-8.7
Australia	238.8 (EYCI – steers & heifers)	-7.7	-22.2	206.0 (Medium cow)	-2.6	-5.7

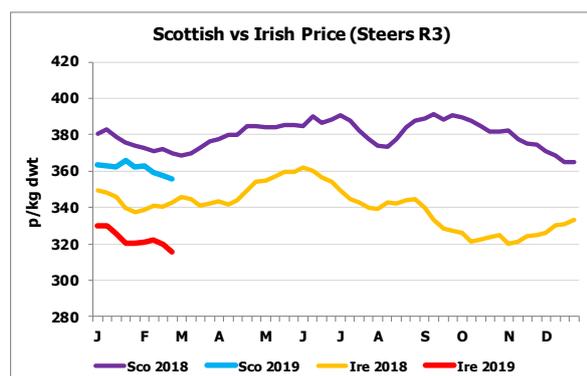
## EU Trade

During the first month of 2019, EU exports to non-EU countries showed a 4.1% lift in carcase weight equivalent terms to reach 52,100t. These figures combine live exports with fresh, frozen and processed beef. Sales to Israel, Ghana, Lebanon and Bosnia increased, but there was a small decline in trade with Hong Kong. Meanwhile, imports to the EU crept higher by 2.3% to 36,000t in carcase weight equivalent. Argentina gained a significant amount of market share while the US also increased sales to the EU significantly. However, imports from Uruguay barely changed and slightly less arrived from Brazil.

## EU Cattle Population

December 2018 livestock numbers from Eurostat point to a 0.7% expansion in cattle availability for slaughter across the EU. Combining males aged over 12 months with females for slaughter over 12 months gives a total of 11.23m head compared to 11.15m in December 2017. Looking further forward, slaughter cattle aged less than a year old rose by 0.3% to 6.04m head. However, the dairy breeding herd contracted by 1.6% to 22.94m head and beef cow numbers were 0.8% lower at 12.21m.

## Irish Market

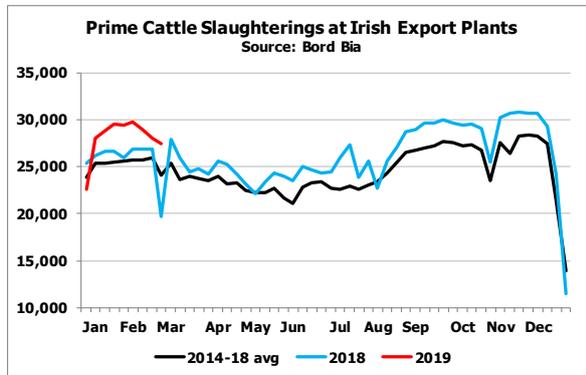


Irish prime cattle prices lacked direction in the final quarter of 2018 and have carried this into 2019. Having traded at €3.65-70/kg dwt (314-18p/kg dwt) between late September 2018 and the end of January for an R3 grade steer, prices held within this range in February, barely fluctuating at €3.66-67/kg (315p/kg). Last year, prices had recovered in the second half of February from a fall in the early weeks of 2018, so the year-on-year discount has widened from -4.5% at the end of January to

-5.4% at the end of February.

While Irish prices may have been static in euro terms, the further strengthening of sterling in late February, as financial market participants further reduced their probability of a no deal Brexit scenario, saw Irish prices fall when converted into sterling. From 320p/kg in late January, prices were equivalent to 315p/kg as February drew to a close. As a result, the year-on-year price decline widened from -5.1% at the end of January to -8.1% in late February.

The Scottish premium over Ireland for an R3 grade steer had initially eased in February, slipping from 13% to 11%, before widening to end the month at 13%. This was five percentage points higher than in the same week of 2018. Having closed January at a similar level in both countries, a premium opened for cows during February in Scotland, ending the month 6.5% higher.

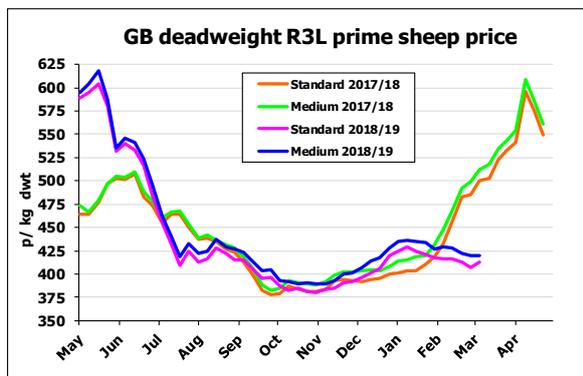


Following a third consecutive year of expansion in the prime cattle kill at Irish export abattoirs in 2018, rising by another 1.4% to reach 1.36m head, slaughter numbers have opened 2019 significantly higher than in 2018. While weekly slaughter volumes eased in January from their pre-Christmas peak, they were still nearly 6% above year earlier levels. February then saw a year-on-year lift by 13.8%, despite weekly slaughter easing 1.3% from January. Even excluding the final week

of the month, which had been disrupted by the same snowstorm that hit Scotland in late February 2018, the prime kill rose 7.6% year-on-year. While steer volumes rose by 5.5%, there were more considerable increases of 17.1% for heifers and 26.5% for young bulls. As a result, heifers increased their share of the prime kill to 38.4% from 37.3% a year earlier and young bulls climbed from 19.1% to 21.2%. Steers slipped from 43.6% to 40.4%.

## Sheep

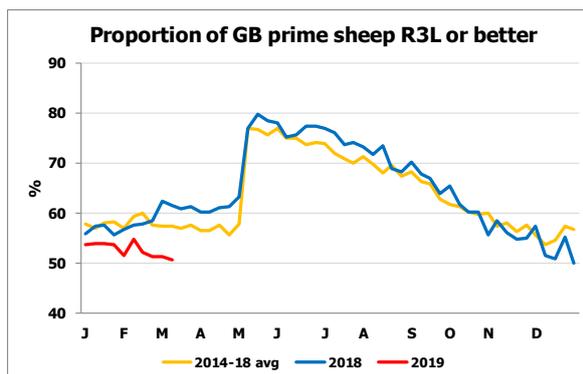
### Prime Deadweight Price Reports (GB)



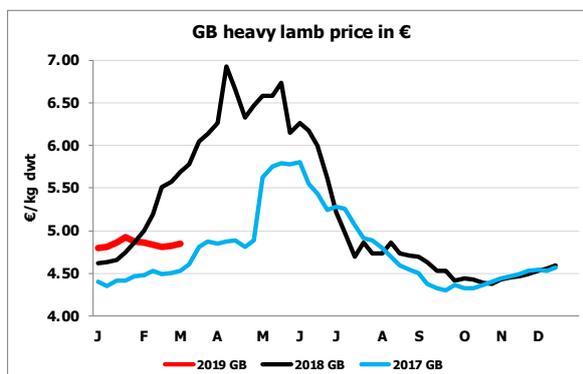
After a brief lift at the start of February, the downwards trend in the average SQQ<sup>1</sup> hogg price at GB reporting abattoirs that had commenced in mid-January resumed. By the week ending March 2, prices had fallen by 9.5p/kg (2.2%) from their January-ending position, trading at 415.5p/kg dwt. Given that the market had firmed in the same period of 2018, prices went from trailing 2018 by a fraction in late January to show a 17.7% reduction at the end of February. Price

reporting abattoirs handled around 2.3% fewer hogs each week in February than they had during the first four full processing weeks of the year. Volumes were relatively stable through the month, with a gap of less than 2% between the highest and lowest week.

In the final week of February, standard hogg carcasses averaged 400.8p/kg with medium carcasses trading at a 16.2p/kg premium to this. However, there was a smaller premium of 12.6p/kg for a medium R3L carcass over a standard R3L.



Carcass quality has consistently lagged year earlier levels at reporting GB abattoirs since December 2018. With the proportion of lambs grading at R3L or better trending lower through the first quarter, this gap to last year widened from 3.3 percentage points in January to 6.5 percentage points in February. In general, fat cover has increased. The 52.4% of hogs that graded at R3L or better in February was a one-point reduction from January.

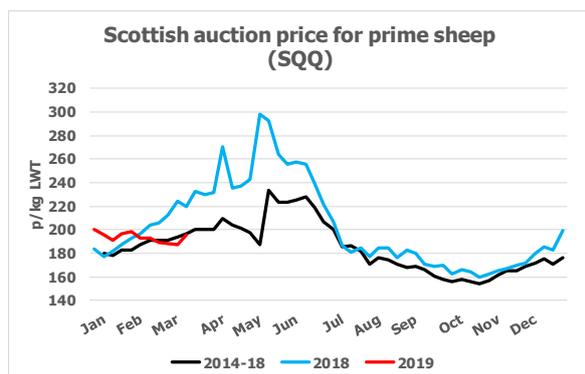


The small lift in sterling at the end of February, reflecting financial market participants lowering their probability of a no deal Brexit, saw the GB lamb price fall at a slower rate of 1% on the month in euro than the 2.4% decline in sterling terms. A stronger sterling than a year earlier also meant that the 17.5% decline in sterling was a slightly smaller 14.5% when looked at in euro terms. Currency movements are therefore likely to have been one factor placing downwards pressure on the

market in February.

<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.

## Prime Auctions



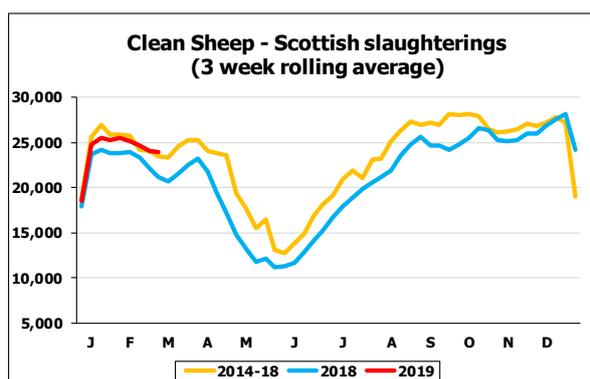
After firming in the second half of January, prime sheep SQQ prices cooled through February at Scottish auctions. From 199p/kg in late January, the market had dropped to a 10-week low of 188p/kg in the week ending February 27. In addition to currency, mild weather may have hindered the domestic demand-side of the equation in February, while a later Easter (by three weeks) is likely to have delayed demand relative to last year. Given that prices had trended higher through

February in 2018, hogg prices went from running 3% higher year-on-year at the end of January to a discount of 11% as February drew to a close.

In the final week of February, prices continued to vary significantly across the weight ranges with light 25.5-32kg and heavy 45.5-52kg hogs trading at considerable discounts to the SQQ average. Light hogs were 12% below average at 166p/kg, while heavy hogs were 6% below it at 177p/kg. Meanwhile, standard 32.1-39kg hogs matched the overall average and medium 39.1-45.5kg hogs were 1% higher at 189p/kg.

GB auction market data for February indicates that weekly marketings slipped back to their lowest levels since late September/early October. Sales averaged 96,300 head per week, down from 97,800 in January and, in the month as a whole, were 16% below February 2018 levels, at 385,100 head. In addition, the proportion within the SQQ weight range fell back; to 65% from 71.6% in January and 70.5% in February 2018. In Scotland, prime marketings were 17% short of year earlier levels, and the proportion classed as SQQ slipped to 66.2% from 68.7% in January and 75.1% in February 2018.

## Abattoir Data – Prime Sheep



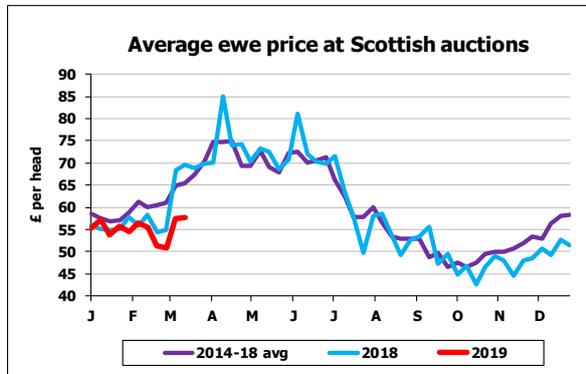
At Scottish abattoirs, weekly average hogg slaughter fell back in February from January, once you exclude the first week of the year from the comparison. Nevertheless, given that weekly slaughterings had fallen more strongly between January and February in 2018, the year-on-year increase picked up to 9.8% from January's 5.6%. Total slaughter reached 96,500 head in February. In NI, following a significant year-on-year decline in January, DAERA reported a more than

Slaughterings and Carcase Weights at Scottish abattoirs		
	Prime sheep (weekly average kill)	Carcase weight (Kg)
February 2019	24,120	20.8
January 2019	23,951	21.0
February 2018	21,961	20.4

doubling of this rate of decrease to 30% in February. Meanwhile Defra reported a tenth year-on-year prime sheep decline in eleven months at E&W abattoirs, down 7.6%.

Just like in early 2018, the average hogg carcase weight declined by 0.2kg between January and February at Scottish abattoirs. However, at 20.8kg, the February 2019 average exceeded its year earlier level by 0.5kg (2.3%). When combined with the 9.8% increase in throughput, this saw prime sheepmeat production expand by 12.3% on February 2018.

### Mature Sheep – Auction Data and Slaughter



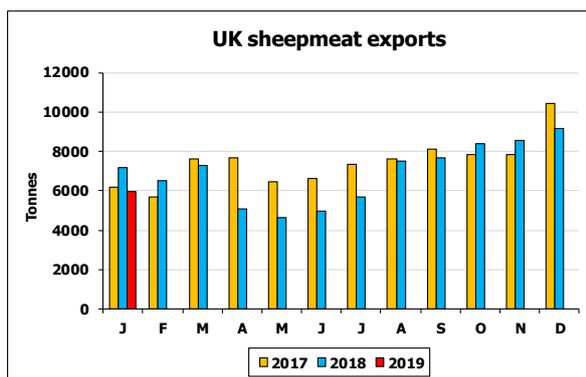
Having lacked direction in the first seven weeks of 2019, trading around the £55 a head mark, cull ewe prices fell back in the second half of February, averaging in line with their December level of £51. This may well have followed on from a significant lift in marketings in the second and third weeks of February, which reached their highest level since early October. Marketings then eased into March and prices recovered.

The mature sheep kill at E&W abattoirs is estimated to have run well ahead of year earlier levels for the sixth month in seven in February, lifting 8.9%. Mature sheep slaughtering remained a rare activity in Scotland (and NI too), with only around 1,450 processed over the four-week period. This was a 4.1% increase on February 2018 levels. Carcase weights were once again well in excess of the UK average (32.2kg vs 26kg).

### Retail Sales (Source: Kantar Worldpanel)

The latest GB household purchasing data showed a small increase in spending on lamb relative to a year earlier in the 12 weeks to February 24. However, with the average price climbing by nearly 4% to just under the £9 a kilo mark, the total volume of lamb retailed contracted by 3.3% year-on-year.

### UK Export & Import Statistics

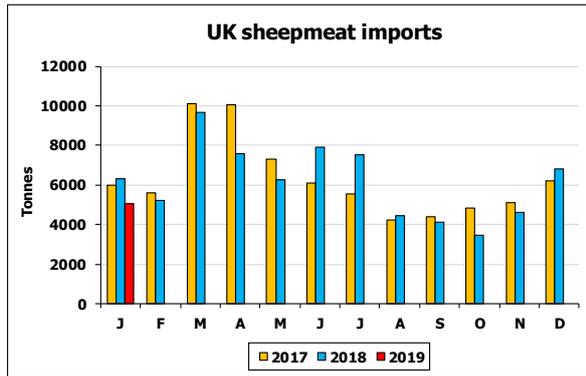


Provisional UK trade figures for January indicate that UK sheepmeat exports began 2019 with a sharp decline, slipping 17% below year earlier levels. Furthermore, at 5,950t, shipments were 11.6% behind their 2014-18 average for the month.

During January, UK sheepmeat exports were equal to 24.6% of production, down from 28.9% in the opening month of 2018. This was a similar degree short of the 2018 average

(28.7%).

UK sheepmeat exports to EU countries began 2019 at a six-month low of 5,800t, reflecting seasonality in supply and demand. Compared to a year earlier, this volume was a reduction by 15.1%.



Only 160t of sheepmeat was exported to non-EU countries in the first month of 2019, equating to 2.7% of UK export volumes. While this was a seven-month low and a considerable year-on-year decline (of 57%), non-EU countries made up a higher share of exports than December's 2.4% share.

After rising above year earlier levels in December, UK sheepmeat imports returned to annual decline in January. At 5,050t, import

volumes trailed year earlier levels by a fifth and were 27% below their 2014-18 average for the month. Furthermore, they slumped to their lowest recorded January level of the 21<sup>st</sup> century. Non-EU sources accounted for 76% of deliveries.

Provisional estimates for Q4 2018 by Defra indicate that imports accounted for 26.2% of UK market supply, down from 28.5% in Q4 2017.

## Key Overseas Markets Update

### EU Market Prices

After stabilising at around the €5/kg dwt (428p/kg) mark in January, the EU heavy lamb<sup>2</sup> price was relatively stable for a second month in February, easing slightly to €4.96/kg (424p/kg) before recovering. By contrast, last year prices had risen strongly during February and, as a result, market prices went from around year earlier levels at the end of January to an 8.5% shortfall in the final week of February. However, February saw considerable variation in price movements between countries, with markets firming in the north west of continental Europe but sliding in the British Isles.

When quoted in sterling, the EU average fell by 1.6% during February, due to the rise in sterling at the end of the month, while a stronger sterling than at the same time last year converted an 8.5% euro-terms reduction into an 11% decline when quoted in sterling.

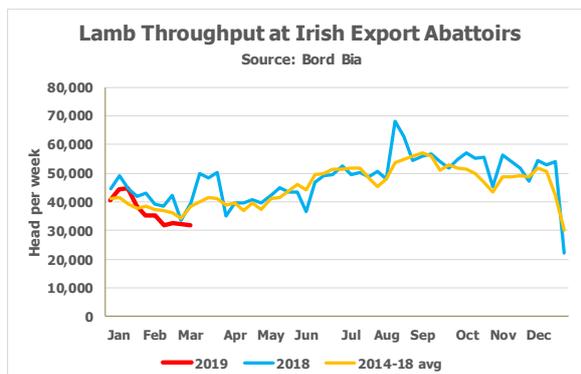
Following a sharp seasonal fall in the average light lamb<sup>3</sup> price in the EU during January, prices were more stable in February. There was a small drift lower in the middle of the month, before prices picked up again in the final week, ending the month marginally below where they had begun it, at €5.21/kg (446p/kg). With prices also lacking direction at the same time in 2018, the market remained at a slightly higher average than a year earlier, up 1.6%.

<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

Prime sheep prices in euro terms (c/kg dwt)			
	w/e 03/03/19	% change v 03/02/19	% change y/y
<b>Heavy lambs</b>			
Belgium	495.7	+4.1	-2.5
Germany	519.9	+3.6	-7.4
Spain	507.9	-0.0	-3.2
France	588.0	+2.1	-4.7
Ireland	480.2	-4.0	-0.5
Italy	519.0	-1.5	+1.6
Romania	272.8	+9.8	-13.6
Sweden	489.1	+9.9	+0.4
GB	482.0	-1.0	-13.6
NI	476.2	-2.6	-3.7
EU	499.8	-0.1	-8.5
NZ (17kg)	406.8	-1.8	+0.4
<b>Light lambs</b>			
Bulgaria	569.7	+0.6	+1.1
Greece	434.8	-3.3	0.0
Spain	550.7	-0.0	-3.6
Italy	512.0	-1.9	+3.9
Hungary	609.1	+2.3	-2.3
Portugal	650.1	+14.9	+15.7
EU	520.9	-0.4	+1.2

## Irish Market



Irish export abattoirs saw weekly processing numbers slide further in February towards their seasonal low point. From an average of 43,300 head in the first three weeks of the year, volumes had slipped back to 35,400 head in late January/early February before steadying around an average of 32,200 head in the four weeks to March 9. In the five weeks to March 9, average weekly slaughter was 35% below the May to December 2018 average compared to a 24% reduction

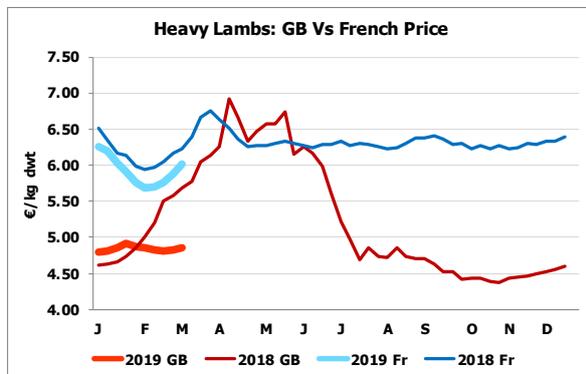
between the same two periods in 2017/18. In the five weeks to March 9, throughput at export abattoirs contracted by 15.2% year-on-year to 164,000 head.

The tightening of supply in the Irish Republic reflects a smaller lamb crop in 2018 combined with an earlier marketing profile. In Ireland's December 2018 census, an 11% reduction in non-breeding sheep on farms was reported.

After a strong upturn in Irish farmgate prices during January left them above the GB average for the first time since July 2018, at €5/kg dwt (428p/kg), prices cooled in the middle of February and then stabilised at around the €4.80/kg (411p/kg) mark. At this level, they

returned back below the GB average. However, the discount to the GB average ended February at only -0.4%, well below its average of -5.4% over the previous 52-week period.

## French Market



Farmgate prices have followed their historic seasonal trend in early 2019 in France, sliding by 9% between the first week of January and the first week of February, before beginning to recover. By the end of February, prices had risen by 3.3% from their low point, trading at a five-week high of €5.88/kg (504p/kg). However, prices continued to trade below 2018 levels, down 4.7%.

At Rungis market, French origin lamb continues to trade at a considerable premium to product from other EU countries. For a lean R grade carcase, French lamb traded at €8.10/kg (£6.94/kg) compared to €6.20/kg (£5.31/kg) for imported EU lamb, while regular R grade carcasses traded at €6.30/kg (£5.40/kg) for French and €5.60/kg (£4.80/kg) for EU.

Data from France's Agriculture Ministry shows that, having ended 2018 on a high, climbing 4.1% year-on-year in Q4, French abattoirs handled around 4.4% more lambs in January 2019 than in the opening month of 2018. Slaughter numbers totalled 259,400 head in January, producing 4,600t of lamb. With carcase weights running 0.2kg higher at an average of 17.9kg, this worked out at a 5.8% increase in production volumes. Relative to the 2014-18 average for January, throughput rose by 3.4% and lamb output by 5.1%.

In addition to rising slaughter in late 2018, French farmers exported a slightly increased number of live sheep. December has traditionally been the main month for exports, largely satisfying demand from Spain for light lamb over the festive period. In 2018, total live exports fell by 11.5% but December sales were 0.9% higher at 180,700 head, and this was 43.7% of the annual total. Sales to Spain accounted for 92.7% of the December total and were up 0.7% year-on-year.

Following two months of increases, French imports of lamb contracted by 7.3% year-on-year in December. However, the total volume imported during Q4 still increased by 1.5% to 24,000t. According to the French Government data, imports from the UK were 5.1% higher in Q4, at 12,000t, whereas imports from both Ireland and NZ slipped back. Imports from Ireland were 8.6% lower at 4,600t and they fell by 9.2% to 3,100t from NZ. The volume arriving from other suppliers rose by 13.4% to 4,300t.

## NZ Market

In NZ, farmgate prices have followed their seasonal trend lower in 2019, with throughput around its annual peak. 17kg carcasses on the South Island closed February at NZD 6.75/kg (350p/kg), down from NZD 6.90/kg (362p/kg) in late January and around NZD 7.50/kg at the turn of the year (£4/kg). Having been running 2-5% higher than last year in January, when quoted in local currency, NZ farmgate prices slipped back in line with year earlier levels in mid-February, before ending the month trailing by 1.5%. This reflected a tightening in supply around the same period of 2018, following early marketing, which underpinned the market

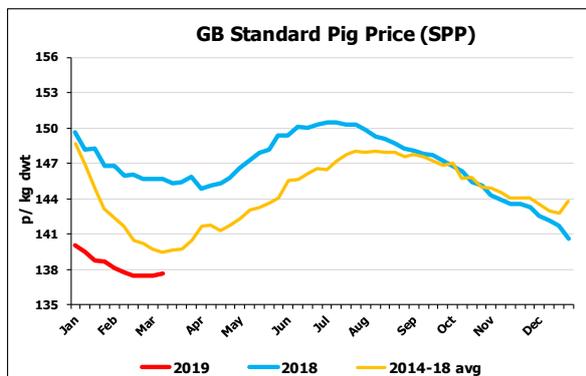
through February and March 2018. In sterling terms, prices also ended February slightly lower than last year, down 2.4%.

The latest slaughter data from Statistics NZ shows a year-on-year contraction of 8.5% in the lamb kill to 5.22m head in the three months to January 2019, reflecting better pasture condition this season leading to a return to a more normal marketing pattern, following a period of drought-induced early kill in late 2017/early 2018. Improved grazing conditions has also boosted carcass weights relative to a year earlier, with the average climbing by 0.7kg (4%) to 18.1kg. Consequently, lamb production contracted at a slower 8.5% rate, to 94,400t. Between October 2018 and January 2019, 35.8% of the estimated kill for the October 2018 to September 2019 season were processed, down from 37.3% in the first third of 2017/18.

In the October to February period, NZ's lamb exports were relatively stable year-on-year. However, the distribution changed significantly, with product being diverted from the EU and Middle East towards China and the US. Looking at the EU, exports to the UK and Germany declined while France was flat and there was a marginal increase in deliveries to Belgium.

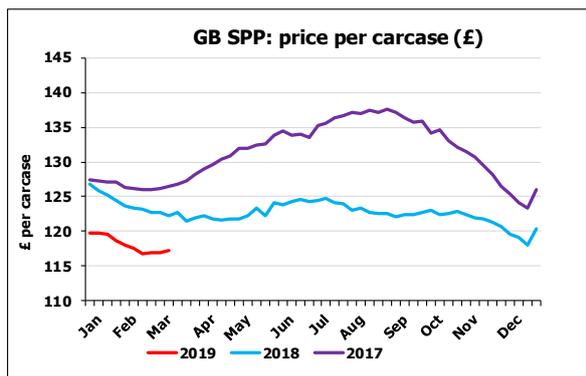
## Pigs

### Prime Deadweight Price Reports (GB)



Prime pig prices stabilised in the second half of February following seven months of consistent weekly declines. The GB Standard Pig Price (SPP) opened 2019 at 140p/kg and had slipped to 137.5p/kg by the second week of February – its lowest since August 2016. However, in a sign of a seasonal rebalancing in market conditions, it then fell by less than 0.1p/kg in the second half of the month, before starting March with a lift of 0.2p/kg. Through February, prices moved in a similar way to the same month of 2018, maintaining a year-on-year deficit of around 5.5%.

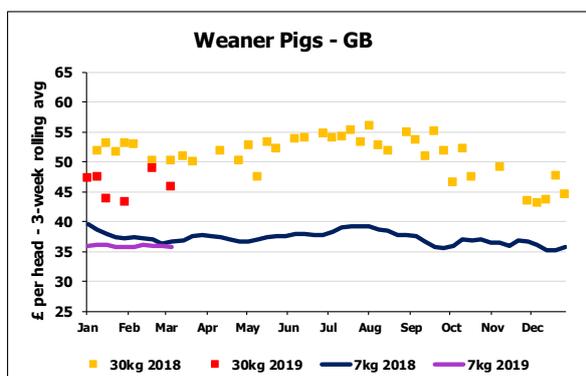
After a stable January, numbers processed by reporting abattoirs initially picked up in February before falling back below January levels for the final three weeks of the month. During the month, weekly numbers averaged 0.7% below January, but exceeded year earlier levels by around 1%.



After rising in the first half of January to a peak above 86kg, carcass weights at price reporting abattoirs then eased back for a month, slipping to 85kg in the second week of February. However, they then edged higher again, ending the month at 85.1kg. When set against the marginal declines in price per kilo in the second half of February, the slight pick-up in carcass weights led to a small increase in the average price per carcass. Having fallen to a 29-month low of £116.85 in the second

week of February, the average price per carcass recovered to £117.01 in the final week of February. This was 98p (0.8%) lower on the month and a year-on-year decline of 4.2%. This slower rate of decline than that seen in the price per kilo reflects weights around 0.8kg heavier than twelve months ago.

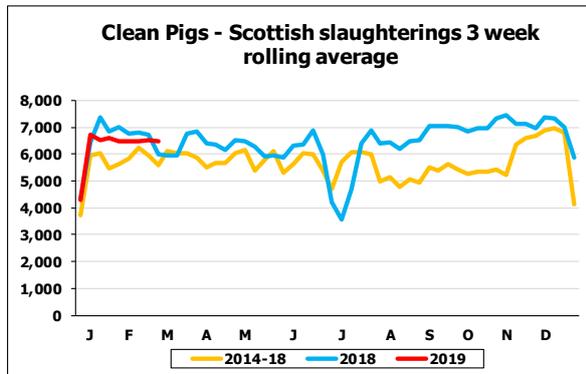
### Weaner Market



Prices paid for 30kg weaners have continued to show volatility in early 2019. In the seven weeks from mid-January to early March, prices were reported on three occasions, ranging from £43 to £49, down from £50-53 in the same period of 2018. Meanwhile, 7kg weaners continued to average around the around £36 per head level for a fourth month in February. Since prices had cooled slightly in early 2018, this saw the year-on-year decline narrow to only 1% in late February. As

a proportion of the SPP finished carcass price, 7kg weaners continued to trade at around 30%, with 30kg weaners closer to 40%.

### Abattoir Data – Prime Pigs



Scottish abattoirs processed 25,900 prime pigs during February, with weekly throughput holding in a similar range to where it had been in the final three weeks of January. Given that processing had been disrupted by the snowstorms of the final week of February in 2018, slaughter numbers exceeded year earlier levels by 5.2%. However, if the final week of February 2018 is excluded from the comparison, the average weekly kill actually decreased by 3.6% on the year.

Average Weekly Prime Slaughterings at Scottish Abattoirs (head)	
February 2019	6,485
January 2019	6,095
February 2018	6,167

After rising in January, prime pig slaughter returned to year-on-year decline for the fifth time in six months at

E&W abattoirs in February, down 6.1%. By contrast, DAERA figures showed an 8% increase at NI abattoirs. A 6.6% increase in home produced pigs was supplemented by an 11.9% rise in imported pigs. As a consequence, imports accounted for 26.3% of the kill, up from 25.3% in February 2018.

At UK abattoirs, the average carcass weight rose by 0.9kg between January and February, reaching 85.1kg. At this level it was up 1.2kg (1.5%) on the year, matching its previous record high, set in October 2017. Data from price reporting GB abattoirs showed a year-on-year increase in carcass weights by around 0.8kg (1%).

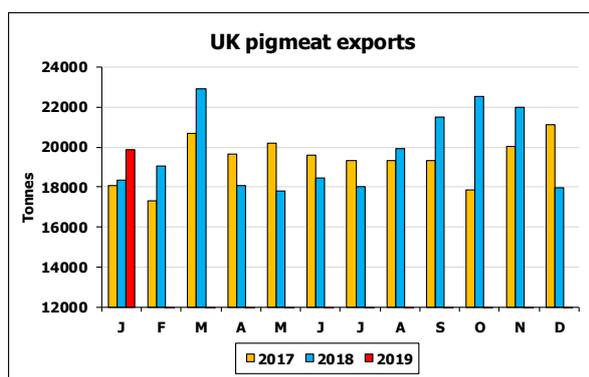
### Sow Slaughter

Sow slaughter at Scottish abattoirs picked up as February progressed and totalled 1,250 during the month. Compared to February 2018, this was an 8.9% increase, with this rate still over 5% if you exclude the snow-disrupted final week of the month in 2018 from the comparison. In E&W, sow throughput declined on last year for a third time in four months in December, sliding by 13.7%.

### Retail Sales (Source: Kantar Worldpanel)

The latest GB household purchasing data shows that spending on pork was flat year-on-year in the twelve weeks to February 24. However, since the average price was down by more than 2% on a year earlier, at around £4.60/kg, sales volumes advanced by 2.2%. Despite averaging around 1% cheaper than last year at £5.50/kg, bacon struggled, with spend contracting by 5% and sales volumes by 4%. Although bacon performed worse than pork, spending on it remained 77% higher than on pork, while sales volumes were 47% above those of pork. Like pork, a cut in average price help raise sales of sausages, which rose by 3.5% on a 1% reduced spend. However, a 2.5% reduction in the average price of deli meats failed to stimulate a change in sales relative to a year earlier.

## UK Export & Import Statistics

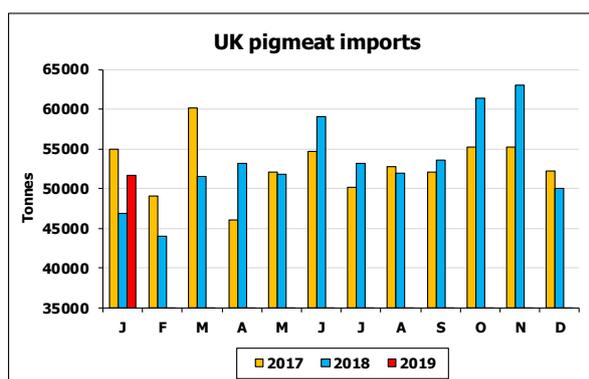


UK pigmeat exports ended 2018 by falling back behind year earlier levels after a strong autumn. However, this was short-lived and export growth returned in January as volumes climbed by 8.3% on a year earlier to reach 19,900t. In addition, this put them 16.4% above their 2014-18 average for January.

The UK's pork export volumes exceeded year earlier levels by 6.9% in January. Totalling 18,100t, volumes were also 14.4% above their

five-year average for January. As a share of total pigmeat exports, they accounted for 91.1% in the opening month of 2019. Sales of bacon & ham showed continued growth, albeit from a low base, rising by more than a quarter to 1,750t. During January, 63.6% of pork exports went to EU countries and 97.8% of bacon & ham.

In January, pigmeat exports were equivalent to 24% of UK pigmeat production. While below the annual average of 25.5% in 2018, it was an increase on the first month of 2018 when pork exports had accounted for 22.7% of production.



UK pigmeat imports returned to year-on-year growth in January. They exceeded year earlier levels by 10.2% and reached 51,600t. This placed them 7.3% ahead of their 2014-18 average for January. Pork imports showed a year-on-year expansion of 12.2%, to 36,100t, while bacon & ham shipments rose by 6% to 15,500t. 99.8% of pork imports and all bacon & ham arrived from EU countries. While pork imports were almost a fifth above their 5-year average in January, deliveries of bacon & ham

were 13.4% below it. Bacon & ham slipped further as a share of pigmeat imports, dipping to 30% from 31.2% a year earlier and a January 2014-18 average of around 37.2%.

Provisional data from Defra for Q4 2018 indicates that imported pigmeat accounted for 56.9% of total UK market supply in Q4 2018, up from 55% in Q4 2017 and a 2013-17 average of 55.7% for Q4.

## Feed Market

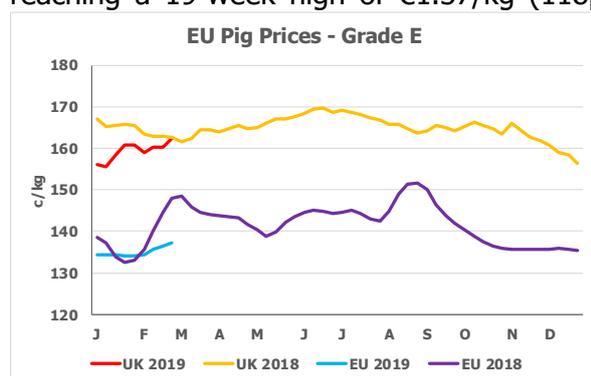
Feed wheat prices in North East Scotland fell back in February, opening the month at £169/t and closing it at £159/t, while barley fell from £170/t to £145/t. This saw the year-on-year increases fall from around a fifth in late January to less than 10% for wheat by the end of February and from a third to less than 15% for barley. In part, downwards pressure came from a strengthening in sterling at the end of the month, as financial markets judged that a no deal Brexit had become less likely. In addition, it became apparent that the balance between supply and demand at the global level was not as tight as had previous been thought, with exports from the US, EU and Black Sea region lagging expectations. Looking forward, futures prices for the 2019/20 season have priced in an increased global supply of wheat, lowering prices below current spot levels.

The cost of imported soyameal continued to slide through February, dropping below the £300/t mark for the first time in around 18 months. One influence has been a stronger sterling against the US dollar. In addition, the continuing challenge faced by the US in exporting to China and forecast supply growth in South America weighed on the market. Compared to a year earlier, soyameal was around 15% cheaper.

## Key Overseas Markets Update

### EU Market Prices

After stabilising at around €1.34/kg (115p/kg) through January, the EU average for grade E pigs gained some ground in February. By the end of the month, prices had risen by 2.4%, reaching a 19-week high of €1.37/kg (118p/kg). However, since the market had firmed



significantly in February of last year, climbing 11.1% between late January and late February, the year-on-year price differential turned negative in the opening week of the month and had widened to -7.3% by its end. Reflecting the presence of African Swine Fever (ASF), prices have continued to trade at a more significant year-on-year discount in Belgium, Poland and Romania; though the first two of these saw price increases during February. Meanwhile, from stability in January

at around €1.40/kg (120p/kg), the key German market had firmed to €1.45/kg (124p/kg) by the end of February.

As a consequence of a rise in sterling against the euro in late-February, the EU average was limited to a monthly increase of less than 1% when quoted in sterling. Nevertheless, the UK premium over the EU average still eased back through the month, from 20% down to 17.4%. Although a seven-week low, it was considerably higher than the 9.9% premium at the same time last year.

EU Grade E Pig Prices in euro terms (c/kg dwt)			
	w/e 03/03/19	% change v 03/02/19	% change y/y
Belgium	109.1	+5.2	-14.8
Denmark	130.1	+2.4	-0.7
Germany	144.6	+3.1	-7.7
Spain	136.2	+7.2	+0.9
France	130.0	+0.8	-0.8
Netherlands	125.7	+3.0	-7.0
Poland	128.8	+2.2	-14.1
UK	161.0	+0.1	-1.0
EU	137.2	+2.4	-7.3

### EU Exports

EU pork exports to third countries showed strong growth in the opening month of 2019, climbing by 7.8% to 356,500t in carcase weight equivalent. Sales to China/Hong Kong expanded by 8.4% to 155,300t, giving it a 43.6% share of the total. Japan, the Philippines

and the US were also growing markets, up 12% collectively, but there was a decline of 11% to Korea. Other markets rose by a combined 10.5%.

## **EU Pig Population**

Eurostat data shows that the EU sow herd contracted by 2.9% in the year to December 2018, slipping to 11.81m head. This was driven by significant declines in Germany, the Netherlands and Poland, while numbers contracted by closer to 1% in Italy, the UK and Denmark. By contrast, France and Spain reported 2% herd expansion. Looking at slaughter pig numbers, there was still a slightly higher level of pigs weighing over 50kg in the system, up 0.3% on December 2017 levels. However, younger groups were more in line with the breeding herd; numbers in the 20-50kg category were 2.4% lower while there were 1.9% fewer young pigs weighing less than 20kg. This signals a tightening of supply as 2019 progresses.

## **China**

The value of pork on the Chinese wholesale market began 2019 by falling back, losing 3.7% during January. Following Chinese New Year, prices continued to fall, with seasonal declines seeing the market dip by a further 3.1% in February, to 18.1 yuan/kg (203p/kg). However, prices had fallen more strongly in February 2018, so the year-on-year rate of decline eased from over 10% in late January to 8% as February drew to a close. Price falls in February saw pork become relatively cheaper when set against beef and lamb than it had been in late January, slipping slightly to be worth around 29% of both, while its premium over chicken narrowed by around 3.5 percentage points to 10%.

After declining by 8.9% to 269,800t in Q4 2018, data from China Customs shows a rebound to pork import growth in January. Volumes climbed to a ten-month high of 125,550t, which was a year-on-year increase of 7.9%.

The USDA expects African Swine Fever (ASF) to have a material impact on Chinese pork supplies in 2019. Culling is forecast to reduce the pig population by 13% this year. Meanwhile, a 5% reduction in pork production is expected, with increased carcass weights partially offsetting lower slaughter (the result of delayed marketing and attempts to minimise reductions in revenue per carcass in areas where per kilo prices have fallen most). These may be an underestimate, however, with China's Ministry of Agriculture data reporting sow numbers down 5% on the month and by 19.1% on the year in February. The likely knock-on effect is increased import requirements and import volumes are forecast to climb by one-third.

Many challenges in dealing with ASF have been reported in China. For example, transport restrictions have reportedly curtailed slaughter in some areas of the country, while restricted movements of pork products have led to challenges in retail supply in other regions. Movement restrictions between provinces have reportedly resulted in significant price differentials, reflecting local imbalances between farm production and abattoir capacity. Meanwhile, it is believed that industry restructuring is underway, with large farms and abattoirs finding it easier to access government support to implement required improvements in biosecurity and traceability, while a higher proportion of small farms are discontinuing production in response.

**Iain Macdonald – March 2019**