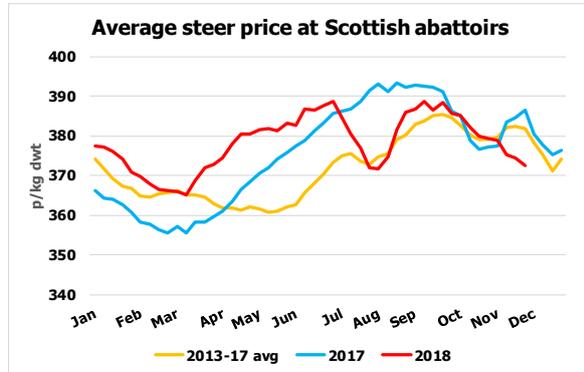


# MARKET REPORT - November 2018

## Cattle

### Domestic Market

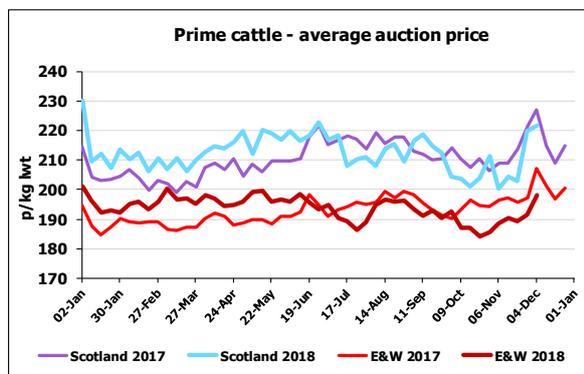


After sliding seasonally through October, prime cattle prices continued to fall in November, contrasting with their historic seasonal trend of lifting slightly at the peak procurement period ahead of Christmas. From 379.4p/kg in the week to November 3, the average steer price at reporting Scottish abattoirs had slipped to 372.5p/kg in the final week of November. This was a 1.8% decline on the month, and it left prices trading at a year-on-year discount of 3.6%, compared to a

slight increase at the end of October. The average price paid for an R4L steer by Scottish abattoirs opened November at around 385p/kg, before a 1.6% decline saw it close the month at 378.5p/kg. This left it at a year-on-year discount of 2.5%.

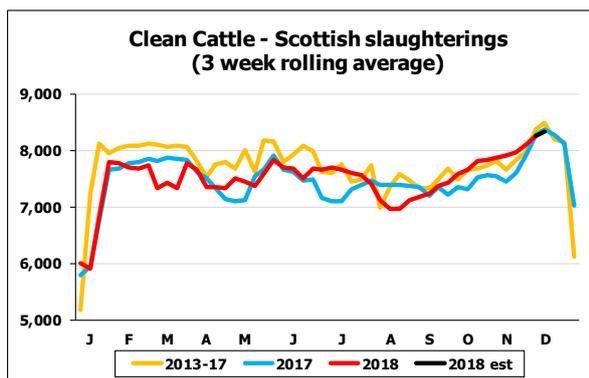
After a short pause in October, the uplift in weekly numbers handled by reporting abattoirs that began in August resumed again in November, taking prime cattle numbers to their highest levels of the year. During the four weeks to December 1, the average weekly kill at reporting abattoirs was 3.6% higher than it had been in the prior four-week period and up 2.4% on the year. The second half of November saw the second highest and then highest kills of the year.

The premium for an R4L grade steer at Scottish abattoirs compared to England & Wales slipped back in November. During October it had averaged 11.5p (3.1%), but this eased to 8.7p (2.3%) in November – an eight-month low. Meanwhile, the premium at Scottish abattoirs for R4L steers over -U4L steers continued to ease back in November. At an average of 0.6p, it was at its smallest of the year. In contrast, in the same period last year the -U4L had averaged 3.1p higher than the R4L. For heifers, the premium for -U4L grades over R4L grades eased slightly from October's seven-month high of 5.6p back to 4.8p. This does still indicate that -U grade steers are being penalised due to heavy carcasse weights.



Following a seasonal slide between September and October, the average prime cattle price at Scottish auctions lacked direction, averaging around 205p/kg lwt for eight weeks until late November. Prices then firmed sharply in the final week of November and first week of December, as many auctions held Christmas sales, averaging 220p/kg in the first of these weeks and 222p/kg in the second. Throughout most of October and November, prices traded at a year-on-year discount of 2-

3%, with the Christmas sale weeks being no exception. In the four weeks prior to the two weeks of Christmas trade, auction volumes rose by around 7% on both the month and the year, averaging 357 head. Numbers then rose to almost 450 head in late November and then edged above 500 at the beginning of December, with the combined total for these two weeks up slightly on the year.



Slaughter statistics for November 2018 are based on a four-week statistical month for Scotland and Northern Ireland (NI), running from November 4 to December 1. For E&W, slaughterings are based on the calendar month and have been adjusted for working days.

At Scottish abattoirs, prime cattle slaughter continued to build towards its seasonal peak in November. The weekly average kill rose

4.9% on October to reach 8,200 head. However, reflecting a more steady lift in numbers through the autumn than had been seen last year, this was smaller than the 7.7% monthly upturn between October and November 2017. The final week of November saw the highest kill so far this year, exceeding 8,500 head, with the preceding week being the second largest of the year. During the month, the total volume of prime cattle processed exceeded year earlier levels by 1.6%, reaching 32,800 head. According to DAERA figures, the prime kill at NI abattoirs exceeded 2017 levels by 1.4% in November, while Defra statistics showed a 1.1% increase for England & Wales.

Heifers have, for much of the year, been underpinning the prime cattle kill at Scottish abattoirs. However, during November, numbers processed were only a fraction above year earlier levels. Meanwhile, the steer kill rose by 2.4% and the young bull kill returned to growth for the first time since August, rising 5.2%. These changes saw steers increase their share in the prime kill to 54% from 53.6% in November 2017, while young bulls gained 0.2 points to 5.3% but heifers lost 0.6 points to 40.7%. Compared to October, steers picked up 0.8 points and young bulls 0.1 point, while heifers slipped back by 0.9 points.

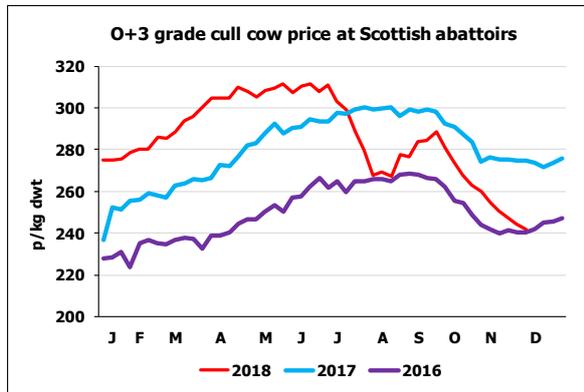
Average carcass weights at Scottish abattoirs (kg)				
	Steers	Heifers	Young bulls	Prime Cattle
November 2018	378.0	342.0	358.5	362.6
October 2018	373.1	338.0	356.2	357.8
November 2017	375.2	337.9	352.5	358.9

The average prime cattle carcass weight at Scottish abattoirs rose by 4.8kg on the month to reach 362.6kg in November. This was larger than the 3.6kg increase between the same two months last year, pushing it 3.7kg (1%) above its year earlier level. All three categories showed month-on-month increases, starting at 0.6% for young bulls and a higher 1.2% for heifers and 1.3% for steers. Steer, heifer and young bull carcasses also averaged heavier than a year earlier by a respective 0.7%, 1.2% and 1.7%. Following around two-and-a-half years of declining steer carcass weights, driven by market signals, November was the sixth consecutive month in which carcass weights exceeded year earlier levels.

The combination of a 1.6% increase in slaughter and a 1% increase in the average carcass weight led to a 2.6% expansion of prime beef production at Scottish abattoirs in November compared to the same month last year. Though still significant, this was a smaller expansion than September's 3.1% and October's 5%.

The average price paid by Scottish abattoirs for a prime steer carcass slipped to a 13-month low of £1,418 in November. This was 0.6% less than October's £1,427 and a 1.4% year-on-

year decline. Compared to November 2017, a 2.1% fall in the average price per kilo was partially offset by a 0.7% increase in the average carcase weight.



Cull cow prices continued to decline at reporting Scottish abattoirs during November. This was first time since 2015 that prices had continued to fall this late in the year, suggesting a well-supplied market for manufacturing grade beef. During the month, the O+3 grade price decreased by 5.1% to 241.6p/kg, leaving it trailing its year earlier level by 12.1%. Furthermore, it was 22% fall below the summer peak compared to an 8.4% fall below the summer peak in the final week of November 2017. Numbers also continued

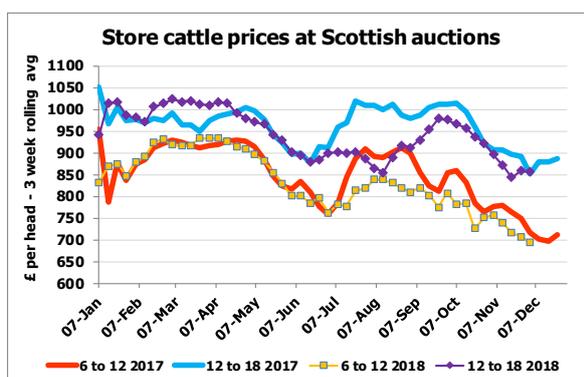
to trend lower through November and, in the four weeks to December 1, were down by 4.9% in the previous four weeks, leaving them at an annual shortfall of 15.4%.

During November, cull cow prices consistently averaged below the £1 a kilo lwt mark at Scottish auctions, trading between 97p/kg and 99p/kg. While prices opened December at a three-week high, they remained within this range, averaging around 98.5p/kg. This was the first time in two years that prices had averaged below £1/kg for a sustained period. After climbing to a peak in mid-November, marketings fell back sharply, dropping to an 11-week low in early December. In the first week of December, beef cows, which accounted for 73% of marketings, averaged 104p/kg while dairy cows sold for 83p/kg.

The mature cattle kill at Scottish abattoirs went through a fourth consecutive month of considerable year-on-year decline in November, down 16.5% at 5,700 head. However, this rate did ease from one-fifth in October as weekly average slaughter numbers fell by 1.1% between October and November compared to a 5.1% decline between the same two months last year. DAERA also reported a significant year-on-year shortfall in November, with NI abattoirs handling 11.7% fewer cows and bulls. By contrast, Defra slaughter data signalled a twelfth straight year-on-year increase at E&W abattoirs, although the rate of growth slowed to 1.6% from an average 7% rate over the past year.

Average cull cow carcase weights showed a seasonal increase at Scottish abattoirs between October and November, lifting 5.5kg to 345.3kg. While slightly smaller than at the same time last year, this maintained a significant year-on-year rate of increase, of 11.1kg or 3.3%.

## Store Cattle Market



With the main autumn trading period for store cattle having passed, both volumes and prices slipped back during November. Combined weekly sales across the 6-12 and 12-18-month steer categories dropped from around 3,350 head in October to 1,250 in November. Meanwhile, the three-week rolling average price for the younger category dipped from £758 in the week ending November 3 to £693 in the final week of November and the older category saw prices slip from by £40 to £856

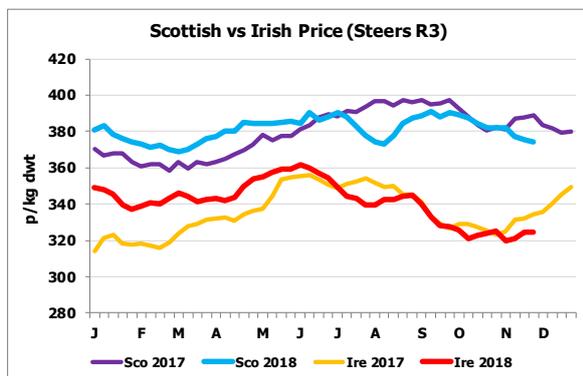
over the same period. As a consequence, weaners were around 3% cheaper than in late November 2017, but yearlings were priced slightly dearer than last year.

### Retail Sales (Source: Kantar Worldpanel)

During the 12-week period ending on November 4, 72.6% of GB households bought fresh and frozen beef – fractionally lower than in the same period of the previous two years. However, due to a rising number of households, this meant that the total number of households buying beef increased. Nevertheless, GB households spent 2.9% less money on beef than a year earlier, purchasing a 2.5% smaller volume. This reflected households buying beef on fewer occasions (-2.1%), and when they did buy, spending less (-1.3%) and buying a smaller amount (-1%). A breakdown by category shows that the weather-induced consumption shifts during the summer had begun to rebalance. While sales of roasts continued to fall sharply (-12%), the decline had more than halved from its peak. In addition, stewing beef sales returned to growth (+1.7%) following a difficult summer and steak sales slipped back (-2.8%) after a period of strong growth. The volume of mince retailed continued to decrease, but like roasts, this rate of decline eased, with sales down 1.8%.

Data on processed beef products is lagging. During the 12-week period ending on October 7, the volume of burgers retailed was up 4.4% on the year and chilled beef-based ready meals saw a small increase. However, sales of frozen ready meals fell by 1%, while there were significant falls of around 10% for products like pies and pasties.

### EU/International Market Prices



After the seasonal lift in kill towards its annual peak in October led to downwards pressure on Irish prime cattle prices, they have since lacked direction, with the R3 grade price averaging in a tight range of €3.66-67/kg dwt (326-27p/kg dwt) between the final week of September and end of October, and then €3.65-66/kg (325-26p/kg) through November. Given that there had been a seasonal upswing in November 2017, this saw prices slip 3% behind year earlier levels.

When converted into sterling, Irish prime cattle prices closed November where they had begun it, at 325p/kg dwt for an R3 grade steer. However, developments in the Brexit talks had seen a stronger sterling push Irish prices down to 320p/kg in the middle of the month, before the negative political reaction to the UK-EU agreements saw sterling slip back and Irish prices recover the ground they had previously lost. With the exchange rate little different to the final week of November 2017, Irish prices were also down by 3% on the year when quoted in sterling.

Given that Irish prices lacked direction through November while the Scottish market cooled, the Scottish premium over Irish prime cattle prices narrowed, easing from 19% in the first week of the month down to a 12-week low of 15% at its end. In the final week of November 2017, it had been a fraction higher at 16%.

Following two months of recovery, the R3 grade young bull average price across the EU slipped back in early November before steadying. After climbing to a six-month high of €3.80/kg dwt

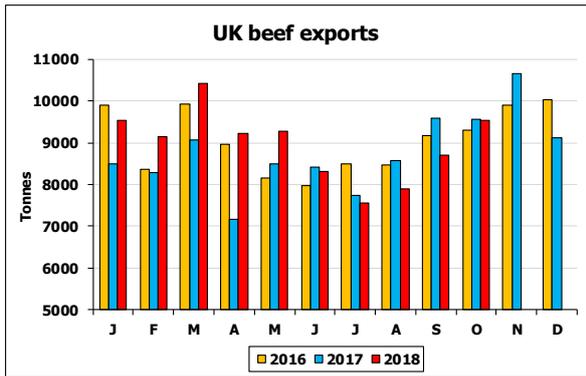
(339p/kg) in the week to October 28, it fell back to €3.75/kg (334p/kg) and then stabilised at €3.76-77/kg (335-36p/kg) for the remainder of the month. This left the market 1% lower than in late October and saw prices slip 4.9% behind 2017 levels, reflecting that the market had firmed towards the year-end last year.

After a fall of 1.5% for the EU average for an O3 grade cull cow during October, the declines accelerated in November, leaving the price 6.6% below late October levels at the end of the month, at €2.67/kg (238p/kg). A more significant fall than in November 2017, saw the year-on-year discount widen from -3.4% in late October to -7.9% as November drew to a close.

International cattle price comparison (p/kg dwt)						
	Steer/Young bull (R3)			Cow (O3)		
	w/e 02/12/18	% change Vs 28/10/18	% change y/y	w/e 02/12/18	% change Vs 28/10/18	% change y/y
Scotland	374.4	-1.9	-3.7	235.9	-7.4	-11.7
E & W North	368.3	-1.2	-1.1	232.7	-6.2	-11.1
E & W Central	362.5	-1.6	-4.4	233.9	-6.4	-13.4
E & W South	362.3	-2.5	-2.5	227.4	-6.1	-11.2
NI	351.2	-1.2	-2.0	235.3	-9.2	-13.6
RoI	324.8	+0.3	-2.9	241.8	-7.9	-13.8
Belgium	267.5	+0.3	+0.7	242.3	-0.5	-1.6
France	328.7	+0.8	-2.6	268.8	-2.8	-1.9
Germany	346.1	+0.4	-5.5	220.0	-11.5	-17.0
Netherlands	287.5	-6.0	-7.4	207.6	-11.7	-19.0
Spain	331.4	+0.6	-5.1	221.0	-2.9	+16.9
Poland	296.0	-1.0	-6.2	240.4	-4.4	-7.6
Italy	385.9	+6.7	+2.7	234.1	-3.9	-11.9
Sweden	363.9	+0.9	-5.6	325.2	+0.0	-8.8
EU28	331.2	-0.2	-3.4	237.1	-6.2	-7.9
EU prices converted at a weekly € value of:	88.7p	88.4p	88.7p	88.7p	88.4p	88.7p
USA	316.3 (steer)	+3.2	+1.3	163.8	-9.4	-14.6
Australia	297.7 (EYCI – steers & heifers)	+1.2	-9.2	242.6 (Medium cow)	-0.8	-2.0

### UK Export & Import Statistics

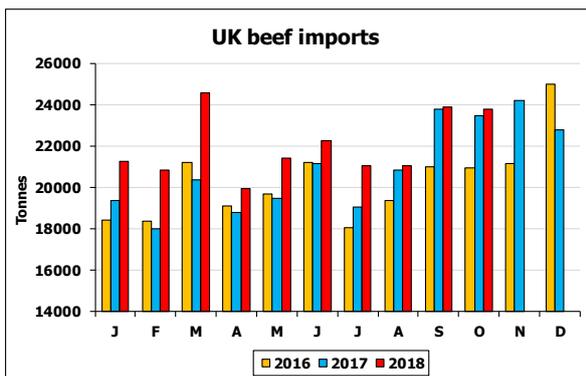
Provisional trade data from HMRC suggests that UK beef exports were little different to a year earlier in October at just under 9,550t. This would place them around 1% above their 2013-17 average for the month. Exports are estimated to have been equivalent to 11.1% of UK beef production in October. In addition to being 0.7 percentage points below September, this was a 0.6-point shortfall on both the same month last year and the year-to-date average.



Although UK beef exports to the EU reached a 7-month high of 8,500t in October, they trailed year earlier levels by 1.2%. This was largely down to a 12% decrease in shipments to the Irish Republic; though, at 2,800t, it was still the largest export market. By contrast, there was a 6% lift in sales to the second largest market – the Netherlands – to reach 2,700t. Elsewhere, trade generally increased significantly, with Belgium, France, Italy and Sweden showing growth, but the volume

delivered to Germany did slip back.

October saw the UK expand its beef exports to non-EU countries by 8.8% year-on-year to nearly 1,050t. This was the second month of annual growth, having declined in seven of the first eight months of 2018. October's increase came despite a 3.7% decline in exports to the main non-EU destination of Hong Kong (HK). At 625t, HK had a 60.4% share of non-EU exports. Meanwhile, sales to the Philippines were at their second highest level of the year (150t) whereas in 2017, October had been one of the four months where no beef had been shipped there.



October was the tenth consecutive month in which the UK imported more beef than twelve months before. At 23,800t, imports were at their highest October level since 2014. However, for the third month in a row, the increase was relatively small, at 1.3%, following lifts of 1% in August and 0.5% in September; though the increase was a more significant 4.6% when compared to the five-year average for October. For the first time since May 2017, the volume of frozen beef

imports fell relative to a year earlier, down 3.3% at 6,600t, giving frozen product a share of less than 30% of the total for the first time this year. Indeed, frozen beef made up 27.7% of imports, compared to 29% in October 2017 and an average of one-third so far in 2018. Meanwhile, the volume of fresh product arriving in the UK rose by 3.2% to 17,200t - their fifth increase of the year.

Provisional trade data for October points to a 1.8% rise in beef imports to the UK from the EU. At 21,900t, EU Member States accounted for 92.1% of imports, which was their smallest of the year-to-date. Imports from the Irish Republic were provisionally put at 17,900t, which was a 6.8% lift on the same month last year, and was 75.3% of the monthly total, up 3.9 percentage points on 2017. A breakdown of Irish imports indicates that a rise of 12.2% in fresh product to 13,850t was partially offset by an 8.2% fall for frozen beef to 4,100t. Imports from the Netherlands and Poland both declined by around 14% relative to last year in October, slipping to a respective 1,400t and 1,150t.

While UK beef imports from non-EU sources climbed to a 2018-high of 1,900t in October, they fell short of 2017 levels for only the second time this year, sliding by 3.6%. Brazil was the largest non-EU supplier in October, on 665t, and this was nearly double year earlier levels, while the volume arriving from Uruguay more than tripled to 350t. By contrast, there were declines of nearly one-quarter from Australia, 45% from Namibia and 67% from Botswana.

## Global Market Round Up

Prime cattle throughput rose at Irish export abattoirs in November, picking up by 7.8% on a weekly average basis in the four weeks to December 1 compared to the previous four weeks. This weekly average was also more than 16% above the year-to-date average. Throughput climbed to its 2018-peak in the week ending November 24; one week earlier than in Scotland. Compared to a year earlier, slaughterings increased by 1.8% during November, marginally below the year-to-date increase of 1.9%. Steers and heifers underpinned the overall increase, rising by a respective 4.6% and 3.9% on last year, but 11% fewer young bulls were handled. During the month, steers made up 49.6% of the prime kill, heifers 36.1%, and young bulls the remaining 14.3%. These were similar to their year-to-date levels.

During the first ten months of the year, Canada exported 330,250t of beef. This was a year-on-year increase of 4.6%. This largely reflected trade with the neighbouring USA, with exports growing 4.9% to reach 246,400t and a 74.6% share of the total. Japan became the second largest market, but despite shipments expanding by a fifth on the first ten months of 2017 to 26,850t, they accounted for only 8.1% of the total. China/Hong Kong slipped from second to third place as exports rose by 5.1% to 23,800t. This was 7.2% of export volumes. Despite the CETA trade deal increasing Canada's quota for exports to the EU, trade remains very limited, reflecting challenging eligibility conditions which Canadian product has to meet.

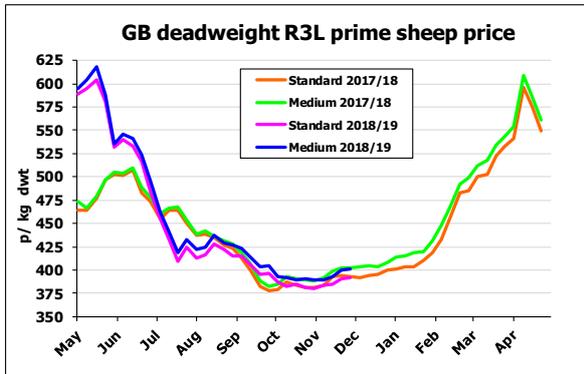
A recent USDA report highlights how the application of non-tariff barriers to trade can affect export activity. According to the report, the US is the main supplier of frozen beef liver to Egypt. Since 2011, Egyptian authorities have based their import regulations on EU standards which set threshold levels for residues of veterinary products – many of which are set at zero. In August 2017, when the Egyptian public authority with responsibility for the testing of residues in imported food products switched, a programme of mandatory testing of all shipments was introduced. While this had little initial impact on trade, it is reported that, more recently, residues have shown up with greater frequency; one source suggesting 4% of consignments and another 10%. Under a positive test, a different public authority in Egypt allows the re-testing of the sample up to a maximum of three times, with shipments being rejected if all three tests fail. As well as being a significant cost, the testing process can take up to five days and results can take a month to process, leading to considerable delays in the arrival of products on to the market.

A 17-year long ban on the import of uncooked Argentine beef products to the USA, linked to FMD, has now been overturned. Following an audit of Argentina's inspection system for slaughter and processing, the USDA has deemed it equivalent, and beef from cattle slaughtered since November 27<sup>th</sup> is now eligible for the US market. Deliveries are reported to have commenced in December. The USDA list of Argentinean plants that are eligible to ship beef to the USA has eleven facilities on it, eight of which were listed in 2002, with one addition in 2004 and the remaining two in 2016. However, one of these 2016 additions was delisted in April. Four others have been delisted for a period, before eventually being reinstated.

The Australian cattle sector continued to exhibit the effects of drought in October. At 688,300 head, adult cattle slaughter exceeded year earlier levels by 16.1%, while calf slaughter rose by 40.7% to 49,900 head. Furthermore, carcass weights were sharply lower, with the adult average falling by 4.5% to 285.8kg, while calves were 8.7% lighter, at 40.1kg. While this will partly reflect slower growth rates and early slaughter, due to the availability and cost of forage, it was also influenced by an increased proportion of females in the kill. Indeed, females accounted for 50.4% of the adult kill, up from 44.8% twelve months before, suggesting a process of herd liquidation is underway.

# Sheep

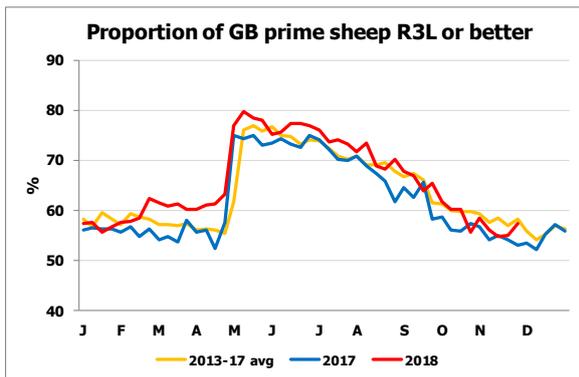
## Domestic Market



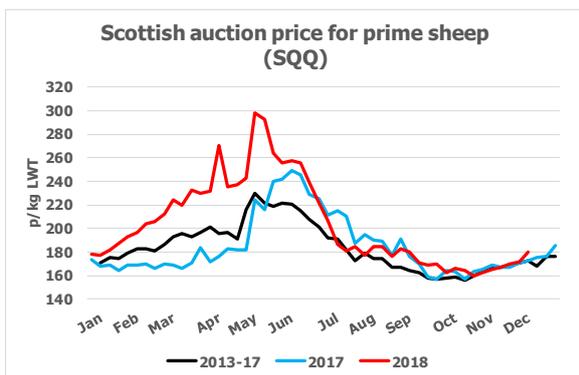
After cooling slightly through October, the average SQQ<sup>1</sup> lamb price at GB reporting abattoirs began to recover during November. Four successive weeks of increases took the average from 386.7p/kg in the week ending November 3 to 399p/kg in the week to December 1. This was its highest level for two months. Compared to the same week last year, this was marginally higher, and it was the seventh time in eight weeks that the year-on-year differential had been less than 1%. The

volume of lambs being processed by price reporting abattoirs each week averaged 1.5% higher in November than in October, so higher prices point to a lift in demand.

As November closed, standard lamb carcasses averaged 384.4p/kg dwt with medium carcasses trading at a 16.6p/kg premium to this. However, there was a smaller premium of 9.6p/kg for a medium R3L carcass over a standard R3L.



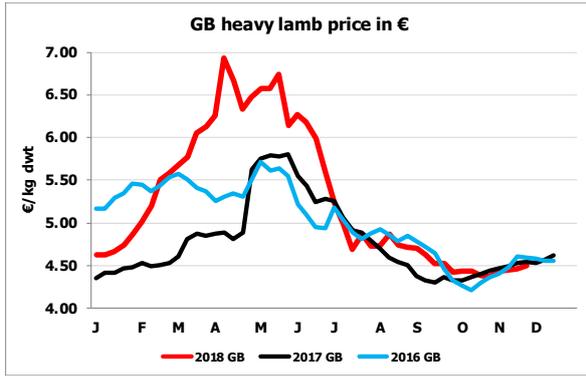
One factor underpinning prime sheep prices at GB reporting abattoirs throughout 2018 has been an improvement in carcass quality relative to last year. Although the seasonal decline in carcass quality continued in November, with 55.8% of lambs grading at R3L or better compared to October's 59.3%, it remained higher than year earlier levels of 54.1%. However, quality did slip behind the five-year average.



Prime lamb prices at Scottish auctions fell to their lowest level of the year in the third week of October, with the average SQQ lamb selling at 160p/kg. Six consecutive weekly increases then followed, lifting the average to 180p/kg for the first time in three months in the opening week of December. This saw it move 4.4% ahead of 2017 levels and 5.4% in front of the five-year average. Prices continued to vary significantly across the weight ranges. A notable development in recent weeks has been

a significant discount for heavy 45.6-52kg lambs. In the week ending December 5, they sold for 164.5p/kg, which was 9% below the SQQ average. Lightweight 25.5-32kg lambs also traded at a significant discount; 8% below average at 167p/kg. Meanwhile, standard 32.1-39kg lambs averaged 179p/kg and medium 39.1-45.5kg lambs traded at 182p/kg.

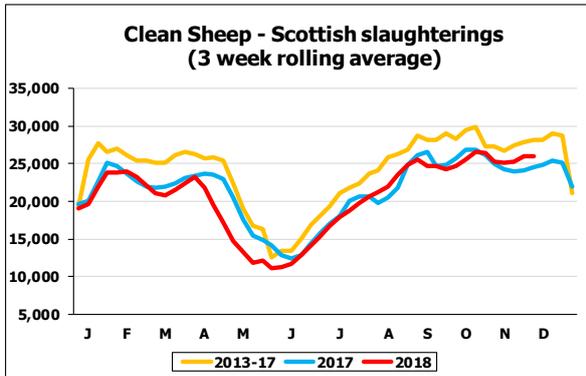
<sup>1</sup> SQQ (Standard Quality Quotation) are lambs weighing 12-21.5kg dwt and 25.5-45.5kg lwt. A standard carcass weighs 12-16.4kg dwt and a medium carcass from 16.5-21.5kg dwt.



With both deadweight lamb prices at GB reporting abattoirs and the sterling exchange rate proving little different to last year in November, GB lamb prices also traded in line with 2017 levels when quoted in euro.

GB auction market data indicates that although marketings rose to their highest level since August, lamb supplies remained tight relative to last year during November. At 410,750 head, marketings trailed year earlier

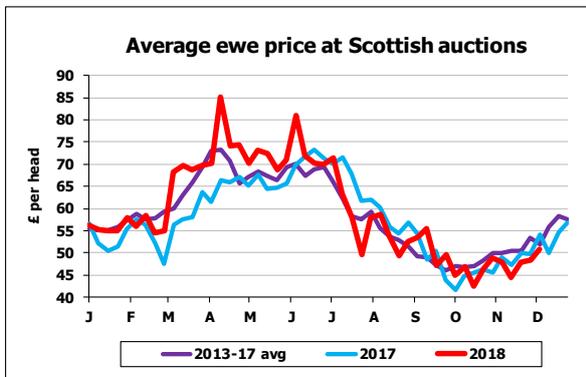
levels by 10%. 68.4% of the lambs sold fell within the 25.5-45.5kg SQQ weight range, which was a small increase on the previous four weeks when 67.5% had fallen into this group. However, the SQQ proportion remained lower than last year, showing a shortfall of 2.5 percentage points. In Scotland, prime lamb marketings were slightly below October levels and were down by 9.3% on last year – a similar decline as had been seen in October – while the the proportion classed as SQQ fell by another 0.8 percentage points on the month and 6.3 points on the year, to 60.8%.



After climbing through the summer, prime sheep slaughtering has been trending flat at around its seasonal peak since mid-August at Scottish abattoirs. During November, the average weekly kill was up 1.3% on October, at 26,100 head. This compares with a 6.6% decline between the same months last year, resulting in a 7.6% year-on-year increase in slaughter to 104,400 head during November.

In contrast to Scotland, DAERA reported a decline in lamb slaughter relative to 2017 at NI abattoirs, with numbers down by 2.4%. A third successive year-on-year decline was reported by Defra for E&W abattoirs, with slaughter contracting by 7.1%.

Lamb carcase weights continued to rise at Scottish abattoirs in November, picking up marginally on the month and by 0.4kg (1.9%) on the year to reach 20.6kg. When added to the increase in prime throughput, this saw the volume of lamb produced by Scottish abattoirs expand by 9.7% over November 2017.



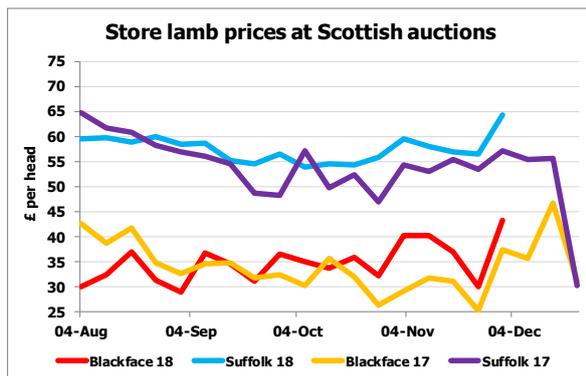
Cull ewe prices have recovered from their annual low point in October, with the average price at Scottish auctions climbing to a 12-week high of £50.71 per head at the beginning of December. This was 19% above the mid-October low. Nevertheless, the opening week of December was the fifth successive week in which ewes traded at a discount to last year, running 6.3% lower. The upturn in prices seen since mid-October has reflected a slide in weekly marketings. Indeed, from an average

of 8,300 head in late September and early October, volumes had dipped to an average of 5,150 head in the three weeks to December 5, while the total number sold in the four weeks

to December 5 was 26% less than in the previous four weeks. Compared to the same four-week period of last year, marketings were down by 18%.

The mature sheep kill at E&W abattoirs is estimated to have run ahead of 2017 for the third month in four at E&W abattoirs in November, lifting 13.9%. Mature sheep slaughtering remained a rare activity in Scotland (and NI too), with fewer than 1,700 processed over the four-week period. At this level, volumes trailed year earlier levels for a second month, having seen strong expansion earlier in the year. Carcase weights were once again well in excess of the UK average (30.8kg vs 25.6kg).

### Store Lamb Market



After more than halving between September and October, there was another sharp decline in store lamb marketings during November at Scottish auctions. Weekly sales averaged 9,700, down from October's 17,900 and September's 39,900. In addition, this was around 15% below year earlier levels. Reduced volumes are likely to have provided continued support to market prices. At £50.43, the average selling price was 7.4% higher than in October and 14.2% above year

earlier levels. Blackface lambs rose by 5.5% on the month and by 19.6% on the year to average £37.54; Cheviots were up 3.9% on the month and 5.6% on the year to £46.35; Suffolks rose by 5.5% on the month and 8.2% on the year to £58.72; and Texels increased by 5.2% on the month and 7.9% on November 2017 to reach £59.20. Of these four breeds, only Texels had higher marketings than in November 2017.

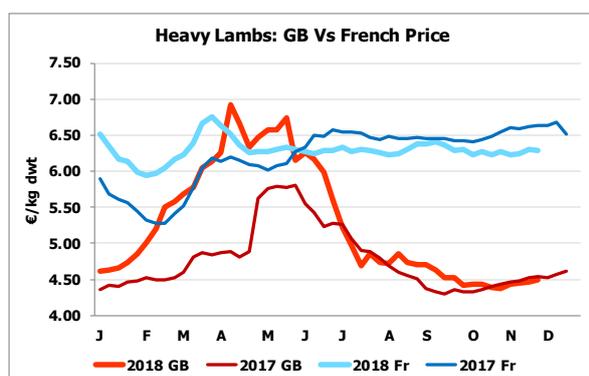
### Retail Sales (Source: Kantar Worldpanel)

The latest household purchasing data for lamb indicates that a prolonged period of contraction in sales volumes came to an end in the four weeks to November 4. This helped limit the decline in the longer 12-week period to -0.7%. However, household spending on lamb did return to growth in the 12-week period, climbing 4.3% over last year. A 5% increase in the average retail price - to £9.64/kg - meant that this translated into the slightly smaller sales volume. While the proportion of households buying lamb fell by 1.6 percentage points on the year to 30.1%, and those that continued to buy lamb bought it slightly less often (-0.7%), those who did buy lamb spent more money on it (+8.7%) and bought it in greater volume than a year earlier (+3.5%). Overall sales volumes were underpinned by leg roasts, with spending on them up 18.6% and the volume retailed growing by 12.1%. Spending on the other categories was relatively stable, but this translated into significant volume declines of 6.3% for shoulder roasts and 9% for chops and steaks, but lamb mince volumes edged higher.

Although lamb-based ready meals continued to show a significant contraction in the 12 weeks to October 7, the rate of contraction, at -6.9%, was less than half of the decline over the longer 52-week period.

## EU Market Prices

The EU heavy lamb<sup>2</sup> price saw its seasonal slide come to an end in the final week of October, when prices had slumped to a 19-month low of €4.75/kg (428p/kg dwt). A small recovery of 1.5% during November left prices averaging €4.82/kg (435p/kg) at the end of the month. This was its highest level for two months, but was insufficient to lift prices above 2017 levels, averaging 2.2% lower. However, there was significant variation in lamb price movements across the EU during the month. When quoted in sterling, the EU average rose 1.7% on the month but remained lower than last year, down 2.1%



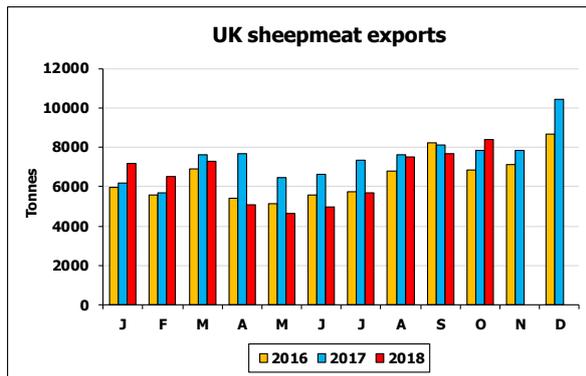
Following a relatively stable September and October, the average light lamb<sup>3</sup> price in the EU fell back in mid-November, before edging higher again in the final week of the month. Nevertheless, at €5.57/kg dwt (501p/kg), prices were still 2.6% lower than at the beginning of November. Meanwhile, they traded at a year-on-year shortfall of 6.8%; this was in line with their average rate of decline over an 11-week period.

Prime sheep prices in euro terms (c/kg dwt)			
	w/e 02/12/18	% change v 04/11/18	% change y/y
<b>Heavy lambs</b>			
Belgium	444.6	-3.1	-11.3
Germany	485.8	-4.6	-11.5
Spain	548.5	+0.9	-11.0
France	629.0	+0.3	-4.6
Ireland	441.8	+4.0	-0.1
Italy	529.0	+2.3	-7.4
Romania	236.0	+3.4	+27.3
Sweden	341.7	-0.8	-4.7
GB	449.4	+2.8	+0.2
NI	428.6	+5.5	+4.4
EU	482.0	+1.5	-2.2
NZ (17kg)	475.1	+6.0	+13.2
<b>Light lambs</b>			
Bulgaria	543.6	+0.0	-3.3
Greece	447.0	-11.1	-4.1
Spain	603.4	+0.7	-10.3
Italy	603.0	-3.4	-10.3
Hungary	615.6	+0.2	+1.0
Portugal	648.0	+12.5	+25.1
EU	557.2	-2.6	-6.8

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

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

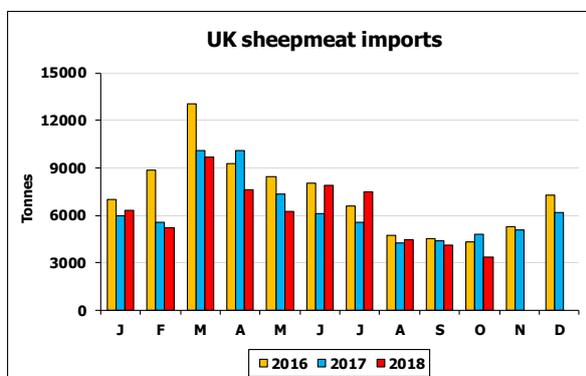
## UK Export & Import Statistics



Provisional UK trade figures for October indicate that sheepmeat exports returned to year-on-year growth for the first time since February, rising 7% to 8,400t. As well as being the highest export volume of the year so far, this was 1.5% ahead of the five-year average and a four-year high for the month. Exports were equivalent to 29.5% of UK sheepmeat production during the month; 1.3 percentage points higher on the year and 1.8 points ahead of the 2018-to-date average.

UK sheepmeat exports to the EU reached their highest level of the year so far in October. At 7,700t, volumes rose for the sixth consecutive month and were up 4.4% on 2017. Export sales to the key French market were flat year-on-year at 3,700t, but this was 44.2% of total export volumes compared to a 54% share a year earlier. Overall shipments were underpinned by trade with the second largest market – Germany – with volumes showing a 12.7% increase to 1,500t. Of the other important markets, exports to Ireland were up slightly and there was a near-doubling of sales to the Netherlands, but trade with Belgium, Italy and Portugal eased back.

Sheepmeat exports from the UK to non-EU countries climbed to their highest monthly total for more than four years, reaching 675t in October. This marked a 51% increase on October 2017. However, this was still only an 8% share of all exports. Hong Kong (HK) accounted for 55.5% of the monthly non-EU total and shipments were up by 13% on the year at 375t.



The volume of sheepmeat imported to the UK declined for a fifth month in October, slipping back to a 2018-low of 3,400t. As well as being 29.5% lower than the October 2017 total and a 24% shortfall on the five-year average, it was the lowest monthly import volume recorded this century.

While New Zealand (NZ) remained the UK's main supplier of sheepmeat in October, at 1,650t, volumes accounted for 48.5% of the monthly total, compared to an average of 71% in the first ten months of the year; though this was higher than the 40% share in October 2017. Imports from NZ were 14.4% below the same month of 2017 and 30% below their five-year average. For a fourth month, imports averaged cheaper than a year earlier, down 2.7% at £5,080/t; though this remained a fifth above the five-year average. Imports from Australia showed a second month of considerable year-on-year decline, down 60% at 410t. This was a similar degree below their five-year average for the month. Like NZ, sheepmeat arriving from Australia averaged slightly cheaper than last year for the fourth month in a row, but remained more expensive than the five-year average. Provisional import figures from Ireland suggest that volumes picked up to a three-month high of 530t, but were 6% below year earlier levels, while imports from the Netherlands fell sharply and there was a significant fall from Iceland.

## Global Market Round Up

After a slow start to the 2018 lamb crop year, Irish export abattoirs saw throughput lift strongly between July and October, with volumes up 5.6% year-on-year. However, numbers declined again in late November, and the average weekly kill for the month fell 1.7% on the previous four weeks, lowering throughput by 6.7% year-on-year to 209,650 head. Given a 3% smaller lamb crop was reported in June and cumulative slaughter numbers exceeded year earlier levels by 3.8% in the June to October period, the fall behind year earlier levels at some stage was almost inevitable. Between May and November, slaughterings rose 0.5% to 1.58m head.

Data from the French Agriculture Ministry shows that the volume of sheepmeat on the French market recovered slightly from a year earlier during the third quarter (Q3) of 2018. Market supply – home production adjusted for imports and exports – edged 0.5% higher to 41,600t. Nevertheless, at this level, product available for consumption still fell 7.3% short of its 2013-17 average. Highlighting the longer-term decline, supply was 26.8% below Q3 2008 levels.

During Q3 2018, France imported a slightly increased volume of sheepmeat relative to a year earlier, rising 0.4% to 23,350t. However, like with product available for consumption, this was well below its average for the same period of the preceding five years, down 10.7%. The UK was the main supplier, on 43%, but deliveries fell by 9.9% year-on-year to 10,000t. Meanwhile, Irish shipments steadied at 5,300t and a 22.8% share, but there was an 8.8% rise in product from NZ. At 3,700t, imports from NZ increased their share to 15.9% from 14.6% in the same period of 2017. Imports accounted for 56.1% of market supply during Q3, down 0.1 percentage point on the year and 2.2 points below the 2013-17 average.

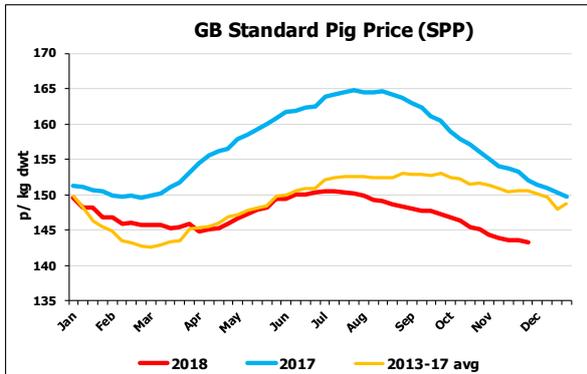
Statistics NZ data shows a recovery in lamb throughput during the October 2017 to September 2018 season. Numbers increased by 3.4% to 20.1m head following two seasons of decline. Meanwhile, the volume of lamb produced rose by 3.2% as the average carcase weight fell slightly to 18.6kg. However, good pasture conditions through the NZ autumn and winter helped to boost carcase weights, raising them significantly towards the end of the season.

Moving into the first month of NZ's 2018/19 season, slaughter and carcase weights remained higher than twelve months before. Throughput rose 2% and, at 1.61m head, reached its highest recorded October level this century. Meanwhile, the average carcase weighed a kilo heavier than last year – an increase of 4.7%. Such a sharp increase may suggest a greater volume of hogs in the kill. Reflecting higher kill and carcase weights, lamb production showed a 6.8% expansion to 34,600t. It should be noted that Beef + Lamb New Zealand have estimated the 2018 lamb crop to be 0.7% smaller than in 2017, but once the impact of strong farmgate prices and good pasture conditions on replacement rates have been factored in, a 4.1% decline in lamb slaughterings has been forecast for 2018/19. This suggests that the increased throughput seen in the opening month of the season may not last.

Having fallen significantly in August and September, Australia's lamb exports returned to growth in October and November, rising by 2.2% and then 3% on a year earlier to reach a respective 23,000t and 24,600t. The decline in exports of August and September followed a sharp contraction in slaughter, which was the knock-on impact of early slaughter due to drought conditions. Nevertheless, exports returned to growth in October and November despite lamb throughput continuing to fall short of 2017. The volume delivered to the main market – the USA – exceeded year earlier levels by 12.5% in November, reaching 6,000t and 24.4% share of total exports. By contrast, exports to China contracted by 13.7% to 4,300t and 17.4% of the monthly total. The two other markets buying more than 1,000t showed growth, with the UAE up 8.2% at 1,900t and shipments to Qatar 81.1% higher at 2,400t.

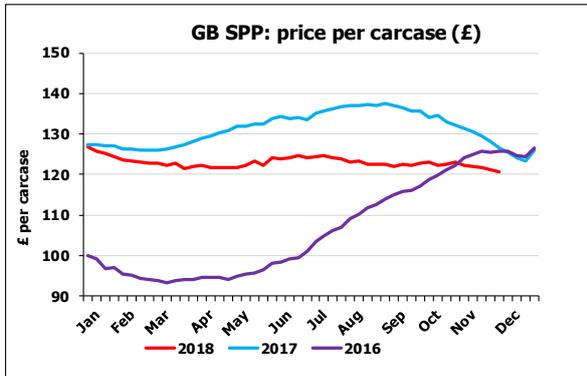
# Pigs

## Domestic Market



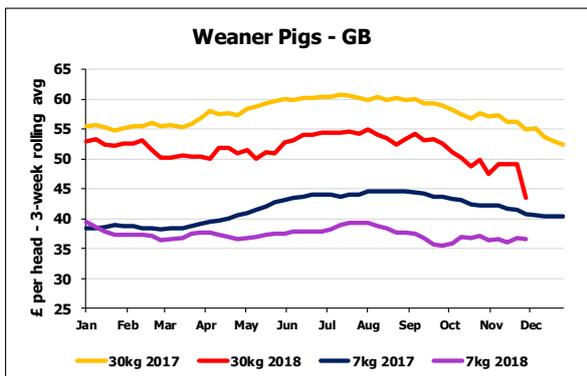
Prime pig prices continued to face downwards pressure in November, with a 20<sup>th</sup> successive weekly decline seeing the GB Standard Pig Price (SPP) end the month at a 26-month low of 143.29p/kg dwt. However, the year-on-year price differential continued to ease back steadily from its late August peak decline of -9.4%, narrowing to -5.8% at the end of November. With neither September nor October seeing much of a lift in numbers handled by reporting abattoirs, they took a

significant bounce in November, averaging above 89,000 head per week compared to less than 84,000 during the previous two months. The final week of November saw the highest volume handled in any week of 2018-to-date.



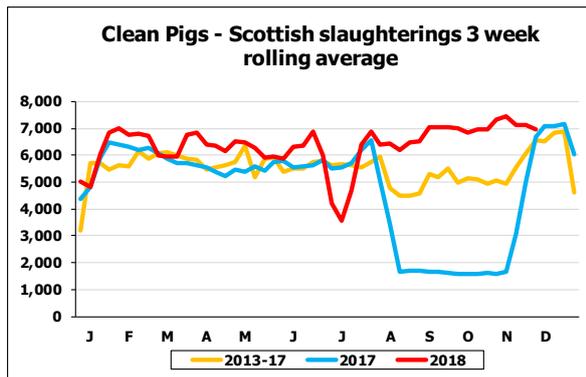
Following a delayed seasonal upturn in carcass weights, likely reflecting slower growth rates during the summer, they did pick up more strongly from early October until mid-November, when they reached a 13-month high of 84.88kg. However, weights then eased back to close November at a 7-week low of 84.18kg. With weights slipping back in the second half of November, the average price per carcass also fell back. Indeed, it ended November at £120.62 – its lowest level since

mid-october 2016. However, because carcass weights had peaked earlier in the autumn of 2017, the year-on-year rate of decline in the price per carcass, at -4.6% in late November, was smaller than the 5.8% decrease in the price per kilo.



In the six weeks to December 1, an average price for 30kg weaners was only reported twice. In the first of those weeks, prices were 13% below year earlier levels and they were then 17% lower in the second. However, prices have still been reported on a weekly basis for 7kg weaners. While showing some week-to-week volatility between £35 and £38 per head through the autumn, the overall trend has lacked direction, averaging around £36.50. As a proportion of the SPP finished

carcass price, 7kg weaners traded at 30.2% of it in the three weeks to December 1. This compares with 29.8% in the three weeks to November 3, but was below the 31.9% seen in the same period of 2017.



Scottish abattoirs processed 28,600 prime pigs during November. At 7,140 head per week, volumes edged 0.6% above October's weekly average and were 11.3% in front of the year-to-date average. Slaughterings remained well above year earlier levels, reflecting that processing capacity had been limited until the second half of November in 2017, when processing resumed at Brechin abattoir following fire damage.

November was the third consecutive month in which prime pig slaughter trailed year earlier levels at E&W abattoirs. Numbers contracted by 5.3%, marking an acceleration in the decline from 0.6% in September and 2.4% in October. By contrast, DAERA figures point to a 1% rise at NI abattoirs as a 5.4% lift in home produced pigs more than offset a sharp 9.2% decline in imports. This saw the import share of throughput slip back by 3.1 percentage points on the year to 27.6%.

The average prime pig carcass weight at UK abattoirs picked up for the fourth straight month in November. A 0.3kg increase to 83.9kg took the average to its highest level since January. While this was below 2017 levels for the third month, the rate of shortfall narrowed to 0.4% from around 2% in the previous two months.

Scottish abattoirs now have the capacity to handle the majority of Scottish-born sows being sent for slaughter. November saw just over 1,050 sows processed, with the weekly average rising 13.6% from October. In E&W, sow throughput declined on last year during November. This fall, of 5.7%, followed 13 months of year-on-year increases and will, in part, reflect the increased processing of sows in Scotland relative to last year.

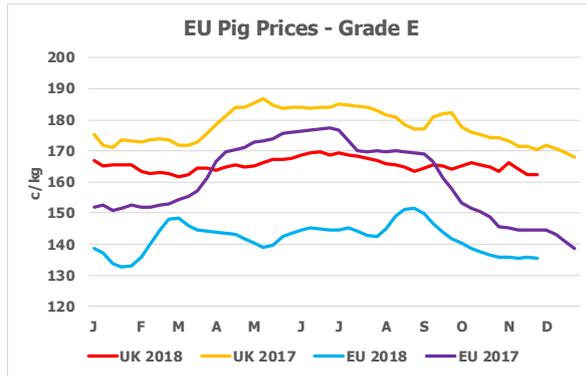
### Retail Sales (Source: Kantar Worldpanel)

The latest detailed household purchasing data shows that during the twelve weeks to November 4, just over half of GB households bought pork. This was little changed from the same period of 2017 and the frequency of purchase was also effectively unchanged. Although slightly less money was spent buying pork, an average price that was down 2.6% year-on-year, at £4.63/kg, meant that purchased volumes were up by just over 2%. A breakdown into product groupings showed that sales of chops & steaks rose by nearly 4% while there was a lift by more than a third in shoulder roasts. By contrast, leg roasts fell by 7.7% and there was a decline of around 30% for loin roasts.

For processed pork products, performance was mixed in the 12 weeks to November 4. Spending on bacon and deli meats fell by around 1.5% on last year, but overall volumes rose by around 1% in the former and were stable in the latter, reflecting reduced average prices. Meanwhile, sausages increased in popularity, with spending up by 2.8% and a marginally higher average price converting this into a 2.5% lift in the volume retailed.

### EU Market Prices

The stability seen in pig prices in a number of EU countries towards the end of October continued through November. As a consequence, the EU average for grade E pigs barely moved in November, holding at €1.36/kg dwt (122p/kg). Given that the market had also stabilised through the same period last year, prices traded at a year-on-year discount of

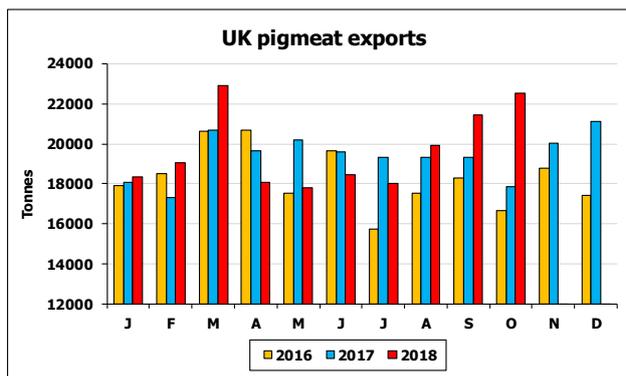


around 6% throughout the month, down from 8% in October and 10-12% in September. Belgian prices have begun to edge higher again having lost one-fifth of their value in September (following a case of African Swine Fever (ASF)); though they continued to trade at a considerable discount to 2017. A weekly price forecast for the key German market suggests that supply and demand remained well-balanced in early December. With sterling ending October and November at

similar levels, there was little change in the EU average when quoted in sterling. Given that the UK average price has continued to ease back, its premium over the EU average narrowed back below 20%, having peaked at 22% in the first full week of November. This was kept it slightly wider than last year.

EU Grade E Pig Prices in euro terms (c/kg dwt)			
	w/e 02/12/18	% change v 04/11	% change y/y
Belgium	105.8	+2.4	-14.3
Denmark	128.7	+1.9	-6.2
Germany	140.2	-0.3	-6.3
Spain	127.4	-2.0	-0.1
France	129.0	-0.8	-0.8
Netherlands	121.2	+0.0	-7.9
Poland	129.7	-0.2	-10.7
UK	162.4	-0.6	-4.8
EU	135.6	-0.2	-6.3

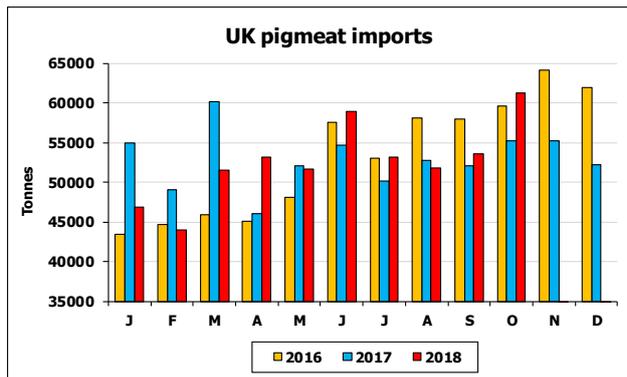
## UK Export & Import Statistics



UK pigmeat exports continued to trend higher in October, climbing to 22,500t; their second highest level of the year, a 26% year-on-year increase, and 24.4% above the five-year average. Pork shipments underpinned the increase, running 27% higher than last year at 20,900t, while bacon & ham exports grew by 17.6% to reach 1,650t. Exports are estimated to have accounted for 26.8% of UK pigmeat production in October.

Although this was 2.5 percentage points lower than in September, it was 1.3 points above the year-to-date average and 5 points higher on the year.

The UK exported 4,800t of pork to China/Hong Kong in October, leaving it as the main export destination with 23.2% of the total. This was a considerable 72% increase over the same month last year, when sales to this market had been at an annual low, and compares with a 10% decline during the first ten months of the year. Exports to other important markets also showed growth, with shipments to Denmark, Germany and Ireland up by 7-13% at 2,800-



3,000t, while trade with the Netherlands rose by more than 50% and passed the 2,000t mark for the first time this year.

UK pigmeat imports reached their highest level of the year so far in October. Import volumes of 61,200t were a 10.9% year-on-year increase and were 9.5% ahead of their five-year average for October. Both pork and bacon & ham showed similar increases on 2017 levels of around 11%, holding the

share of pork in pigmeat imports constant at 68%. However, this was up from 64.9% in September.

Denmark continued to be the principal supplier of pork to the UK in October. Imports from Denmark rose by 5.9% year-on-year to reach a 2018-to-date high of 16,100t and accounted for 38.9% of imports. Imports from the second largest market – Germany – picked up more significantly, rising 36% to 8,700t and a 20.9% share, while imports from the Netherlands rose by 10% to 4,200t, giving them a 10.2% share. The volume arriving from France, Spain and the Irish Republic also increased.

The Netherlands maintained its position as the number one supplier of bacon & ham to the UK during October with the 8,600t delivered accounting for 43.8% of the monthly total. This volume was a 3.6% lift over the same month last year. Meanwhile, there was a jump in shipments from Denmark, as volumes were up by more than 44% to reach 6,800t and a 34.6% share. By contrast, imports from Germany fell by 14% to 2,500t.

## Feed Market

Feed grain prices in North East Scotland have seen a renewed upturn in December. Feed wheat prices reached an eight-week high of £173 on December 12, while feed barley was at its dearest in five weeks, reaching £170. While many global market signals have been placing downwards pressure on prices, rising animal feed production in the UK has continued to pull the market higher from the demand-side. In addition, the recent weakening of sterling is likely to have had some impact. In mid-December, wheat traded 26% above year earlier levels and barley by 35%.

Soyameal prices have rebounded from their November low-point due to two developments. The first has been the fall in the value of sterling pushing up the cost of imports, while the second has been positive developments in trade talks between China and the USA. With Chinese tariffs on US soyabeans and soyameal stopping shipments in recent months, the US has been unable to completely replace this lost custom, while Chinese imports from other sources have failed to offset the decline in shipments from the US. Therefore, the announcement of trade talks in the margins of the G20 summit gave some support to the market around the turn of the month, and then a shipment of soyabeans in the second week of December caused a further uplift. By December 12, spot prices for imported soyameal had risen to £323/t; their highest level since mid-October and a 3% year-on-year increase.

## **Global Market Round Up**

Slaughter statistics for Q3 2018 show a marginal increase in pig slaughterings at the EU level. At 62.1m head, throughput increased by 0.4% year-on-year, producing 5.57m tonnes of pigmeat, up 0.2%. This reflected a slightly lower average carcass weight of 89.6kg compared to 89.8kg a year earlier. The two largest producing nations showed contrasting performance. Indeed, whereas Germany's abattoirs handled 5.6% fewer pigs and produced 5.6% less meat than in the same period of 2017, Spanish abattoirs reported a 4.9% increase in throughput and 4.8% lift in volume. At 1.31m tonnes, Germany accounted for 23.5% of EU production during the period, down from 24.9% a year earlier, while Spain's share picked up from 17.6% to 18.4% as production rose to 1.03m tonnes. Of the other major pig producing nations, Belgium, France and Poland reported declines, but Denmark, Italy and the Netherlands showed expansion.

Data collected by the Brazilian Government indicated a continuing expansion of the country's pigmeat production during Q3 2018. Throughput totalled 11.6m head, which was a year-on-year increase of 4.7%, while production volumes rose by 5% to 1.04m tonnes. Average carcass weights edged 0.2kg (0.2%) higher to 89.7kg. Compared to five years before, slaughter showed a 23.5% increase while production was 27.9% higher, reflecting a 3.2kg (3.6%) lift in the average carcass weight.

While Brazil's abattoirs processed 11.6m pigs over a three-month period, US abattoirs handled this number during October alone. At this level, numbers were up 5.9% on the year. The average carcass weight during the month was a fraction below year earlier levels, at 95.5kg, resulting in a 5.8% lift in the volume of pigmeat produced, to 1.11m tonnes. Production growth in October out-paced the year-to-date increases of 2.6% in slaughter and 3% in volume.

The globally important Chinese pigmeat market has followed a traditional seasonal pattern in 2018. Wholesale pork prices eased back through October and November, before a lift occurred in the first half of December. According to price reports from China's Ministry of Agriculture, the wholesale cost of pork decreased by 5.3% between the end of September and end of November, to end the autumn at a 16-week low of 18.96 yuan/kg (£2.18/kg). By the week ending December 16, prices had then recovered to 19.56 yuan/kg (£2.25/kg) – an 8-week high. At this level, the market continued to clear at a lower level than last year, down 5.6%. Pork's relative price to beef and lamb was slightly higher in mid-December than it had closed November, at around 32.5%. Meanwhile, its price premium over chicken narrowed from 24.6% to a five-month low of 21.6%.

**Iain Macdonald – December 2018**