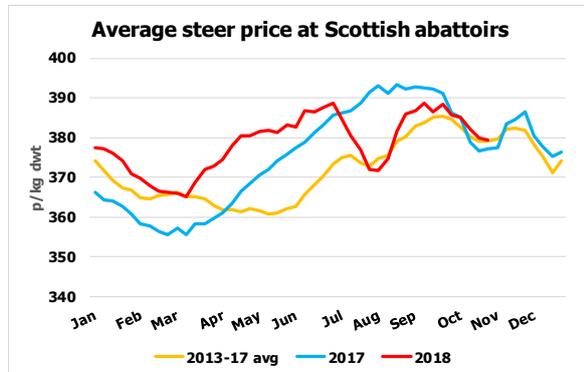


# MARKET REPORT - October 2018

## Cattle

### Domestic Market

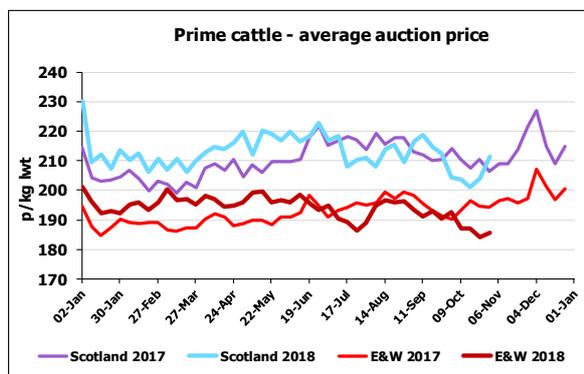


Having lacked direction in September, price cattle prices cooled seasonally in October, reflecting increased volumes. Through September, the average steer price had averaged 387-389p/kg dwt, before it eased back in October to trade at 379.4p/kg in the week to November 3. However, prices showed a smaller seasonal decline than in October 2017, meaning that the 1% year-on-year discount that had been observed during September reversed in October, with prices

ending the month 0.6% ahead of 2017. The average price paid for an R4L steer by Scottish abattoirs opened October at around 392p/kg, before easing to 384.8p/kg by the end of the month. This was an annual increase of 0.8%.

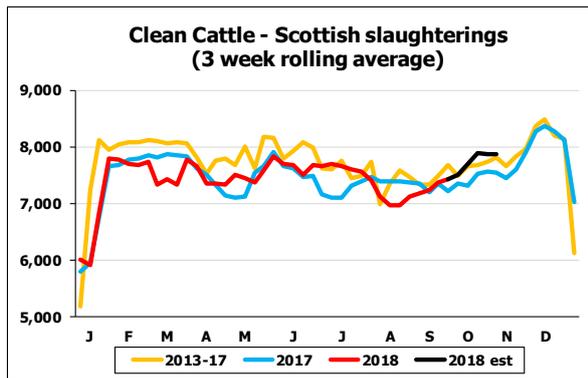
Having trended higher between August and early October, the number of prime cattle handled by reporting Scottish abattoirs was more stable in the four weeks to November 3. During the five weeks to November 3, the average weekly kill at reporting abattoirs was 4.5% higher than it had been in September and exceeded the same period last year by 4.8%.

The premium for an R4L grade steer at Scottish abattoirs compared to England & Wales lacked direction in October after decreasing in mid-September. Indeed, after five weeks averaging 15p/kg (4%), the premium eased to 11.5p (3%) in the second half of September and then 11.6p (3.1%) during October. Meanwhile, the premium at Scottish abattoirs for R4L steers over -U4L steers eased back to a six-month low of 1.6p in October, down from 2.2p in September. For heifers, the premium for -U4L grades over R4L grades widened from 5.3p in September to a seven-month high of 5.6p. This does still indicate that -U grade steers are being penalised due to heavy carcase weights.



On average, prime cattle prices fell back between mid-September and mid-October at Scottish auctions before firming again towards the end of October. Having climbed to a 10-week high of 217p/kg lwt in the week ending September 19, the three-week rolling average for prime cattle had slipped to 203p/kg by mid October, before closing the month at 205.5p/kg. After three weeks slightly above year earlier levels, the three-week rolling average slipped back below 2017 levels as

October began, averaging 2% lower during the month and ending it down 1%. Auction volumes picked up strongly in October to average 346 head in the four weeks to October 31, compared to an average of 281 head in the preceding five weeks. This was unchanged on the year having shown a considerable shortfall in September.



Slaughter statistics for September 2018 are based on a four-week statistical month for Scotland and Northern Ireland (NI), running from September 3 to September 30. For E&W, slaughterings are based on the calendar month and have been adjusted for working days.

At Scottish abattoirs, prime cattle slaughter returned to year-on-year growth in September as the average weekly prime cattle kill rose by

5.5% from August to reach 7,400 head having fallen by 0.9% between the two months last year. This saw the monthly total for September run 1.7% above year earlier levels, at 29,600 head. According to DAERA figures, the prime kill at NI abattoirs also rose seasonally between August and September, but this was only sufficient to return throughput to year earlier levels, having fallen behind in August. Defra statistics showed a 1.3% increase for England & Wales after two months of 3-3.5% declines.

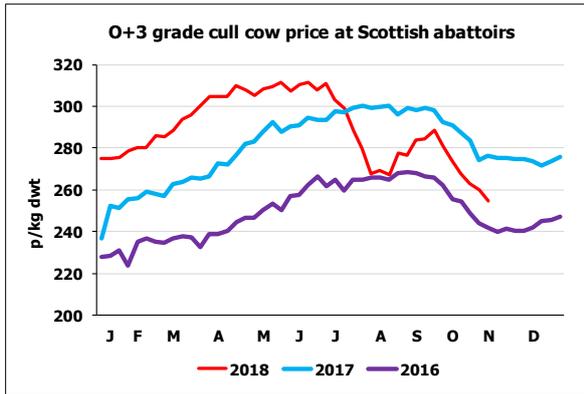
Compared to September 2017, 2.1% more steers were handled by Scottish abattoirs during September 2018 and there was a 2.4% increase in heifers. By contrast, 5.2% fewer young bulls were killed. With young bull numbers falling back seasonally, they dropped from 12.7% of the prime kill in August to only 6.6% in September; last year they had slipped from 11.3% to 7.1% between August and September. Meanwhile, the steer share rose by four percentage points on the month to take a 54.5% share, which was up from 54.3% in September 2017. Heifers picked up two points on the month to account for a 38.8% share compared to 38.5% a year earlier.

Average carcass weights at Scottish abattoirs (kg)				
	Steers	Heifers	Young bulls	Prime Cattle
September 2018	377.5	340.5	356.6	362.0
August 2018	376.9	339.0	367.6	362.1
September 2017	372.7	335.3	350.2	356.9

The average prime cattle carcass weight at Scottish abattoirs edged 0.1kg lower on the month to 362kg in September. This contrasted with a 5.8kg decline between the same two months last year, pushing it 5kg (1.4%) above its year earlier level. Whereas steers and heifers saw monthly increases, the young bull average fell significantly. Nevertheless, when comparing all three categories to their September 2017 averages, they showed increases, with the young bull increase being the largest at 1.8% compared to 1.3% for steers and 1.5% for heifers. Market signals had been placing downwards pressure on steer carcass weights for a prolonged period, so their renewed increase is a development to monitor.

The combination of a 1.7% increase in slaughter and a 1.4% increase in the average carcass weight led to a 3.1% expansion of prime beef production at Scottish abattoirs in September compared to the same month last year.

At £1,463 in September, the average price paid by Scottish abattoirs for a steer carcass was £1 higher than in the same month of 2017 as an increase in the average steer carcass weight by 1.3% offset the 1.2% decrease in per kilo prices.



After returning to their downwards seasonal trend in the final week of September, cull cow prices continued to slide at reporting Scottish abattoirs during October. From 280.5p/kg in late September, the average price paid for an O+3 grade cow had slipped to 254.7p/kg in the week to November 3. As well as being down 7.9% year-on-year, this was 18% below its summer peak. Last year, the price had been 7.9% below its summer peak at this time. While numbers trended downwards as October progressed, the weekly average for

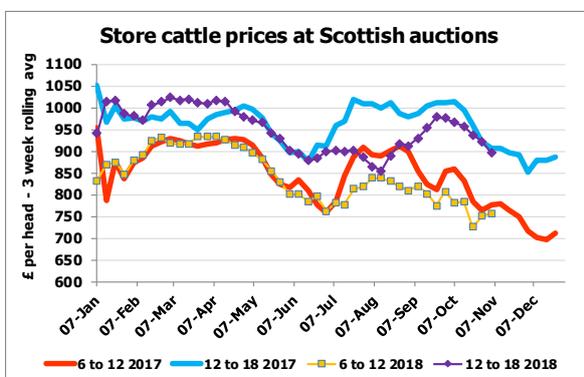
October was 2.5% above September levels; though it did show an annual shortfall of 14%.

Cull cow prices continued to slide in the first half of October at Scottish auctions before showing signs of recovery as the month ended. Indeed, after ten weeks averaging 118p/kg until September 19, prices had fallen to below the £1 a kilo lwt mark by the week ending October 17, before closing the month at 102p/kg. A seasonal lift in marketings placed downwards pressure on prices, with 924 cows traded on average in the four weeks to October 31 compared to 673 head in the preceding five weeks. In the final week of October, beef cows, which accounted for 72.5% of marketings, averaged 110p/kg while dairy cows sold for 80p/kg.

The mature cattle kill at Scottish abattoirs fell sharply relative to last year for a second straight month in September. At 5,800 head, numbers were 13.4% below 2017. Weekly average numbers rose by 10.7% on the month to average 1,450 head, having risen by 12.2% between August and September 2017. DAERA also reported a year-on-year shortfall in September for NI abattoirs, though at a smaller rate of -3.3%. By contrast, Defra slaughter data points to a tenth consecutive year-on-year increase with September volumes exceeding year earlier levels by 14.1% once a working-day adjustment has been applied.

In contrast to 2017 when the average cull cow carcass weight had fallen by 5.4kg between August and September at Scottish abattoirs, it rose by 4.4kg this year. This resulted in an average carcass weight of 340.6kg, which was 13.9kg (4.2%) heavier than twelve months before.

### Store Cattle Market



Autumn store cattle sales peaked in late September and the first half of October before slipping back, with marketings running at similar levels in late October to where they had been in the first half of September. Indeed, weekly sales across the 6-12 and 12-18 month steer categories averaged around 2,400 head in early September and late October, compared to an average above 4,500 head between mid-September and mid-October.

Having firmed through September, there was a seasonal slide in store cattle values during October. As a result, the three-week rolling average price for a 6-12-month steer closed the month around 3% below where it had begun it, while the three-week rolling average for 12-18-month steers dropped below £900 for the first time since mid-August and was down by

around 8% on the month at £896. Compared to 2017, the three-week rolling average closed October 2.5% lower for weaners and 1.2% lower for yearlings.

### Retail Sales (Source: Kantar Worldpanel)

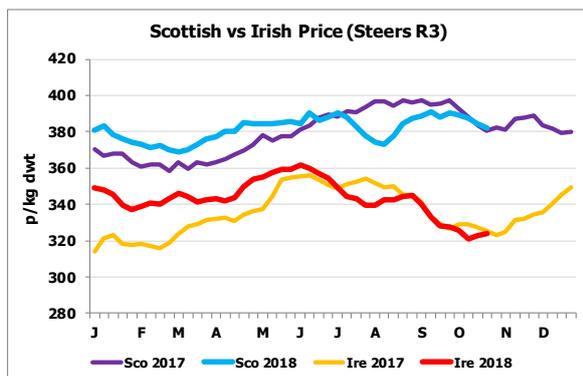
The last detailed market data we have access to is that for the period ending on August 12. 69% of GB households bought fresh and frozen beef during the 12-week period ending on August 12. Total spending on beef declined by 4% on a year earlier and, with the average price rising by 0.7% to £7.99/kg,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

In the 12 weeks to October 7, beef sales continued to decline relative to last year. Spending on beef fell by 3.2% and the volume purchased by 4.6%, suggesting a legacy impact on consumer trends into the autumn.

Data for processed beef products had also pointed to the warm summer weather leading to changes in consumption, with burger volumes up 15% year-on-year in the 12 weeks to August 12 compared to declines for chilled steak pies (-19%), frozen steak pies (-13%) and beef-based pasties (-6.5%). Sales of chilled beef-based ready meals rose by 2% on the same period of 2017, but sales of frozen ready meals fell 3%.

Moving into the 12-week period ending on October 7, spending on burgers remained elevated, with a 5.7% increase converting into a 3.5% rise in sales volumes.

### EU/International Market Prices



Reflecting a seasonal lift in supply towards its annual peak, Irish prime cattle prices fell significantly through September. Following six weeks of relative stability, the average R3 grade steer price at Irish abattoirs fell from €3.82/kg dwt (334p/kg dwt) in the final week of August to €3.67/kg (321p/kg) in late September, a decline of 3.9%. However, prices then stabilised during the peak throughput period of October, trading at €3.66-67/kg and trading only 0.2% below late September levels in the week ending October 28. Having slipped slightly below year earlier levels for a month, prices edged back above 2017 in late October, running 0.3% higher in the week to October 28.

When converted into sterling, Irish prime cattle prices also fell back significantly in September, as the weekly average exchange rate was relatively stable during the month. R3 grade steers closed the month at 327p/kg compared to 345p/kg in late August. However, developments in the Brexit talks caused some more fluctuation in exchange rates during October, with a strengthening of sterling in the first half of the month leading to a further fall in Irish prices, to 321p/kg dwt before a weakening sterling pushed up Irish prices in the second half of the

month to 324p/kg. Having been stronger in late October than in late September, the 0.2% monthly decline in euro terms converted into a 1% decline in sterling, while a slight strengthening compared to the same week last year turned a 0.3% euro price increase into a 0.4% decline in sterling terms.

After widening through September and the first half of October, the Scottish premium over the Irish average for R3 grade steers eased back again in late October. Indeed, it finished August at 12% before picking up to 19% at the end of September and then reached a 54-week high of 21% in the week ending October 14. Two weeks later it had eased to 18%, up marginally on the same week last year.

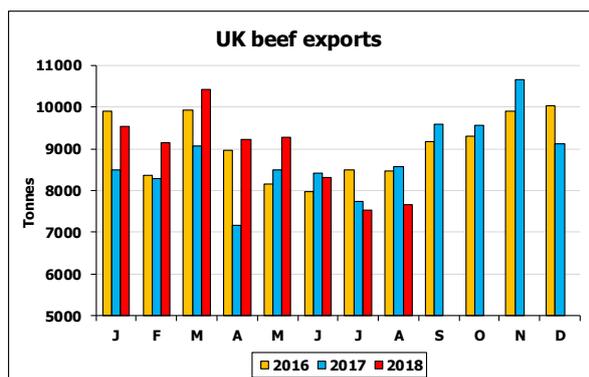
Having trended lower for more than seven months, the EU average for an R3 grade young bull has shown some recovery since mid-August. October was the second consecutive month to see a lift of around 1%, lifting the R3 price to a six-month high of €3.80/kg dwt (333p/kg) in the week to October 28. Given that the market had risen to a smaller degree in October 2017, the year-on-year decline narrowed from -2.8% in late September to -2.2% in late October.

Following a relatively stable September at around the €2.90/kg (254p/kg) mark, the EU average price for an O3 grade cull cow began October on the decline, slipping to €2.87/kg (251p/kg). Following two further falls, prices dipped to a -week low of €2.84/kg (248p/kg) in the week to October 21, before recovering to €2.86/kg (250p/kg). This left it down by 1.5% on the month and by 3.4% on the year.

International cattle price comparison (p/kg dwt)						
	Steer/Young bull (R3)			Cow (O3)		
	w/e 28/10/18	% change Vs 30/09/18	% change y/y	w/e 28/10/18	% change Vs 30/09/18	% change y/y
Scotland	381.8	-2.2	+0.4	254.7	-7.3	-5.0
E & W North	372.9	-1.5	+1.3	248.1	-7.0	-4.9
E & W Central	368.3	-1.9	+0.4	250.0	-6.4	-7.5
E & W South	371.5	-2.1	+0.6	242.1	-9.0	-7.8
NI	355.4	-0.9	+0.3	259.2	-3.7	-4.5
RoI	323.9	-1.0	-0.4	262.7	+0.5	-5.4
Belgium	266.6	-0.8	+0.2	243.5	-1.5	-1.5
France	326.2	-1.5	-4.2	276.7	-5.1	-4.9
Germany	344.8	+1.3	-4.0	248.5	-3.0	-9.3
Netherlands	305.8	-0.5	-6.9	235.1	-0.8	-9.8
Spain	329.3	-0.9	-2.7	227.6	+2.3	+18.2
Poland (w/e 21/10)	299.2	-0.4	-2.5	251.4	-2.0	-3.0
Italy	361.8	+7.4	-1.9	243.5	-0.6	-5.5
Sweden	360.7	-1.4	-11.8	325.2	-0.7	-10.8
EU28	331.7	+0.1	-1.8	252.8	-2.3	-4.0
EU prices converted at a weekly € value of:	88.4p	89.1p	89.0p	88.4p	89.1p	89.0p
USA	306.4	+5.1	+0.9	180.7	-2.9	-11.3

	(steer)			(Cutter: 90% lean & >225kg dw)		
Australia	294.1 (EYCI – steers & heifers)	+8.7	-11.4	244.5 (Medium cow)	+3.1	-7.1

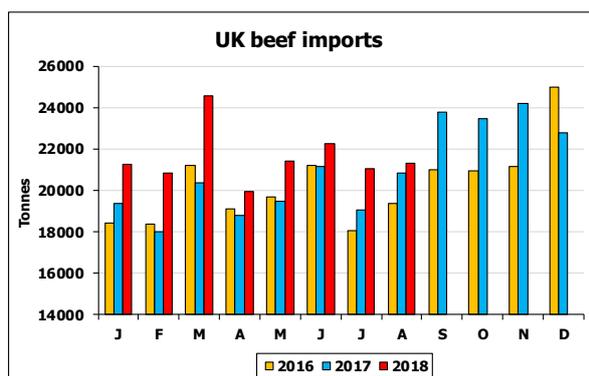
## UK Export & Import Statistics



Provisional trade data from HMRC suggests a third month of year-on-year declines for UK beef exports. Volumes fell by 10.6% to 7,650t and were 6.2% below their average August volume between 2013 and 2017. Exports are estimated to have been equivalent to 10.5% of UK beef production in August. While 0.6 percentage points higher than in July, this was 1.3 points below the year-to-date average and 1 point behind August 2017.

UK beef exports to the EU fell by a below average rate of 8.2% in August, slipping to a provisional figure of 6,800t. The two largest destinations continued to see divergent performance in August, with the volume delivered to Ireland contracting significantly, down 16.2% on last year at 2,450t, whereas sales to the Netherlands rose by 14.5% to nearly 2,000t. Smaller markets also showed mixed performance, with Germany, Italy and Belgium showing double-digit declines, France a small fall, but Spain and Sweden buying more.

In August, UK beef exports to non-EU countries trailed 2017 levels for the seventh time in eight months. This shortfall amounted to 26% in August, with volumes dropping to 850t and an 11.1% share of the total. Shipments to the main non-EU market – Hong Kong (HK) – fell by 36% to 370t, giving it a 43.2% share of the non-EU total. This was partially offset by increases to Ghana and the Philippines.



UK beef import volumes continued to grow on 2017 in August, up 7.7% at 21,300t. This placed them 6.2% ahead of their five-year average for August. Imports continued to rebalance away from fresh product towards frozen. Whereas the former showed a 6.6% decline to 14,000t, the latter rose by a quarter to 7,300t. This gave frozen beef a 34.4% share of imports compared to 28.2% in the same month last year.

Provisional trade data indicates that beef imports to the UK from the EU contracted on a year earlier for the first time in 2018 during August. Volumes fell by 0.2% to 19,700t and were 92.5% of total imports – a 2018-low. However, they are likely to be revised higher. Imports from the Irish Republic were provisionally put at 14,500t, which was also 0.2% below the same month in 2017 and a 67.9% share of the total. This was the first time the Irish share had dropped below 70% for a year. A breakdown of Irish imports indicates that a 1.6% fall in fresh beef imports to 10,800t was partially offset by a 4.2% increase in frozen beef imports

to 3,700t. Imports from the Netherlands and Poland also declined in August; the former by 2.5% to 1,400t and the latter by 22% to 1,050t.

The volume of beef arriving in the UK from non-EU countries rose relative to 2017 for the seventh time in eight months during August. Volumes rose by 10% to reach 1,600t. Nevertheless, volumes remained well below their 2013-17 average for the month. Brazil was the largest non-EU supplier in August, on 375t, and this was up 60% on the year. Australia and Uruguay followed at around 320t, showing increases of 49% and 16%. By contrast, trade with Botswana and Namibia contracted.

## **Global Market Round Up**

Having picked up towards a seasonal peak in September, throughput stabilised at Irish export abattoirs in October, edging down by 0.4% on a weekly average basis to 29,430 head. This meant that throughput remained above 2017 levels, with the rate of increase slowing slightly from 2.6% in September to 2.2% in the four weeks to October 27. It also kept the rate of expansion above the year-to-date level of 1.9%. Reflecting seasonal strength in supply, weekly numbers averaged 13.5% above their year-to-date average during October. The Irish kill continued to be underpinned by heifers and young bulls in October, with numbers rising by 9.4% on last year, but these gains were partially offset by a 2.6% drop in steer throughput. Nevertheless, steers still accounted for 56.8% of the prime kill, with heifers at 32.8% and young bulls making up 10.4% of the total. These proportions had been 59.6%, 30.7% and 9.7% respectively during the same period last year. In the year-to-date, steers have made up 49.8% of the kill, heifers 35.5% and young bulls 14.6%.

Bord Bia data on live cattle exports from Ireland point to a considerable lift in calf sales in 2018. Indeed, during the first nine months of the year, numbers totalled 152,000 head and this was a 52% increase on the same period of 2017. 95% of these exports took place between February and June in 2018. Spain accounted for 44.9% of exports in the first nine months of 2018, up slightly from a 42.9% share in the same period of 2017.

In its latest review of the global beef market, the USDA is expecting growth in production in South America and the USA, offsetting declines in production in Europe, Australia and India. Import demand is expected to grow in the Asian market and some North African markets but decline in Russia, where there has been a steadily growing cattle herd over the past few years. Indeed Russia has halved its use of imports over the past five years.

Argentina has been rebuilding its cattle herd over the past few years, seeing cow numbers increase by 18% since a low point in 2011 to reach almost 24m head. They have also seen exports grow rapidly over the past eighteen months. Over the first three quarters of 2018, Argentina saw its exports expand by over 70% to around 250,000 tonnes and like many exporters, has seen China grow to become their biggest market.

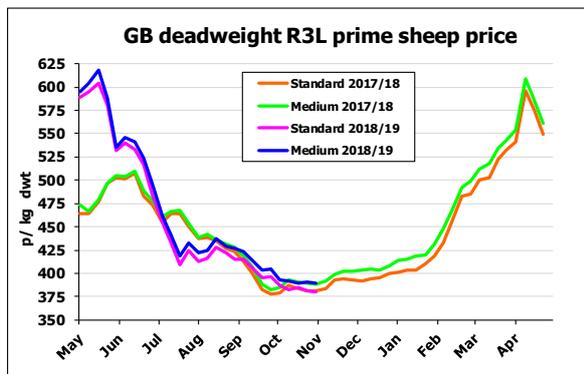
The Brazilian cattle herd has also been growing, up 7% over the past three years to reach 222m head in 2017. They increased their exports by 10% between 2016 and 2017 to reach 1.2m tonnes of fresh product and 1.5m tonnes when processed product and offals are added in. However, while a decade ago the European Union and Russia accounted for around 50% of their exports they now have a more diversified market with the EU and Russia falling to less than 20% of exports (although phytosanitary considerations have impacted on these volumes) with China/Hong Kong growing to 40% of export trade and also significant trade with Egypt and Iran.

The United States is reporting a 7% higher volume of cattle in feedlots this autumn through a combination of more domestic production and higher imports of cattle; particularly from Mexico. This is expected to boost US beef production in 2019, which in turn is expected to result in some modest increase in domestic consumption but also some increased export activity will be needed, possibly to South Korea and Japan in particular. Although US producer prices have strengthened in recent weeks they are 6% lower in local currency than last year and 10% lower than in the first quarter of 2018. They are also well below their five-year average.

Meat and Livestock Australia (MLA) are forecasting Australian beef production to be up 6% in 2018 because of drought-induced increases in slaughter numbers. Prices have though remained reasonably firm due to Asian demand and a weakening Australian dollar. However, the consequence of higher slaughterings during 2018, including of breeding stock, is that MLA are also forecasting a decline of 5% in production during 2019 and a 7% reduction in exports.

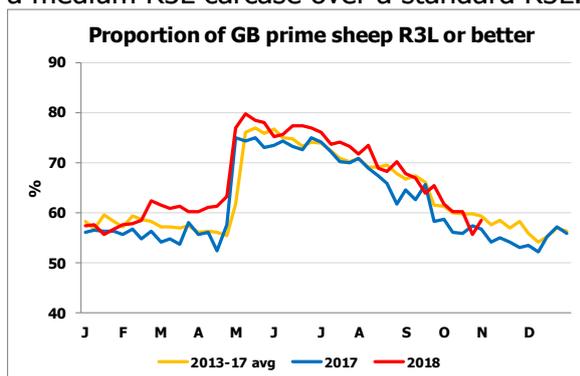
# Sheep

## Domestic Market



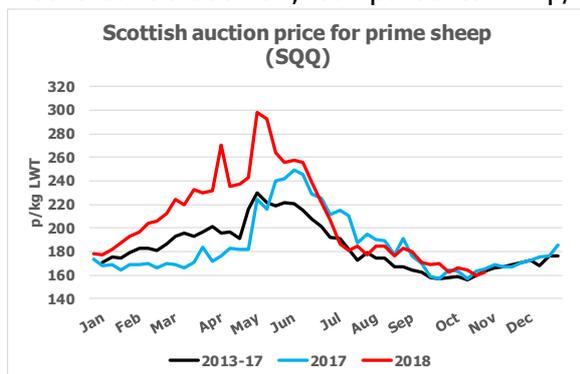
While the average SQQ<sup>1</sup> lamb price at GB reporting abattoirs continued to decline through October, price movements were much smaller than they had been in September. Indeed, having opened September at 422p/kg, lambs averaged 392p/kg in the first week of October, a decline of 7.2%. Despite falling in each of the next four weeks, the monthly decline eased to 5p (1.3%), with the average lamb selling for 386.7p/kg. Although trending down in recent weeks, prices still traded above

2017 levels in nine out of ten weeks, closing October at a marginal year-on-year premium of 0.3%. Numbers handled by price reporting abattoirs trended lower through October and, during the five weeks to November 3, were down by 3.8% on September. Given this development, the downwards trend in market prices points to sluggish demand. As October drew to a close, standard lamb carcasses averaged 372.2p/kg dwt with medium carcasses trading at a 16.5p/kg premium to this. However, there was a smaller premium of 9.5p/kg for a medium R3L carcase over a standard R3L.



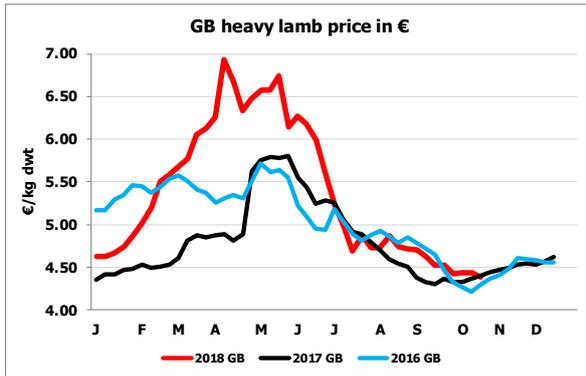
One factor underpinning prime sheep prices at GB reporting abattoirs throughout 2018 has been an improvement in carcase quality relative to last year. Although a considerable seasonal decline saw the proportion grading at R3L or better fall from 66% in September to 59.3% in October, it remained above year earlier levels, running 2.4 percentage points higher.

Prime lamb prices fell back in October, averaging around 163p/kg for an SQQ lamb in the five weeks to October 31, compared to 172p/kg in the four weeks to September 26. Prices



dropped to their lowest weekly average of the season-to-date of 160p/kg in the week ending October 24, before edging higher in the last week of the month. In 2017, prices had cleared at a low of 157p/kg in mid-September and again in mid-October. During much of October, prices were little different to year earlier levels. Prices continued to vary significantly across the weight ranges as October drew to a close. Lightweight 25.5-32kg lambs sold at a significant discount, averaging 140p/kg, while standard 32.1-39kg lambs averaged 159p/kg, medium 39.1-45.5kg lambs traded at 164p/kg, and heavy 45.6-52kg lambs sold for 159p/kg.

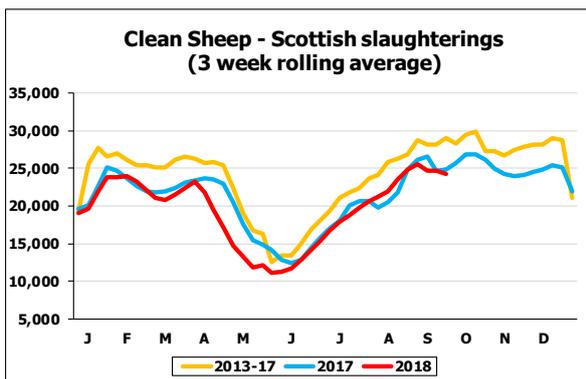
<sup>1</sup> SQQ (Standard Quality Quotation) are lambs weighing 12-21.5kg dwt and 25.5-45.5kg lwt. A standard carcase weighs 12-16.4kg dwt and a medium carcase from 16.5-21.5kg dwt.



A slight strengthening of sterling in mid-October caused by positive news around Brexit talks pushed up GB lamb prices in euro terms slightly at a time when they had continued to trend slightly lower in sterling. However, a renewed weakening of sterling later in the month saw GB lamb prices return to a downwards trend in euro, trading at their lowest of the 2018/19 season-to-date. Nevertheless, prices remained slightly higher than year earlier levels, with a marginally

stronger sterling than in late October 2017 converting a 0.5% sterling terms increase into a 1.3% increase when quoted in euro.

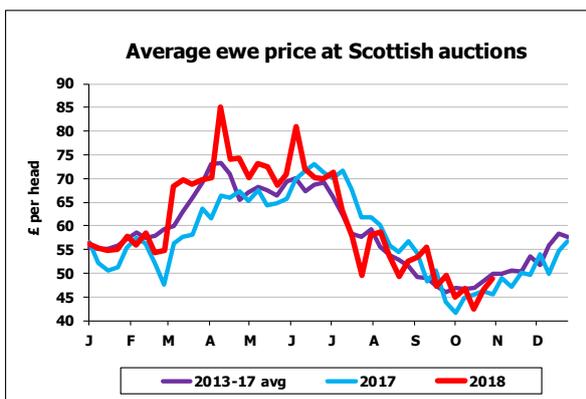
GB auction market data indicates that lamb supplies remained tight relative to last year in the four weeks to October 31. At 387,500 head, marketings trailed year earlier levels by 14%. 67.5% of the lambs sold weighed within the 25.5-45.5kg SQQ weight range over the four weeks, down from 73.3% in September and from 72.7% in the same period last year. In Scotland, prime lamb marketings fell 9.5% short of year earlier levels, while the the proportion classed as SQQ fell by 4.8 percentage points on the month and 5.9 points on the year to 61.3%.



Having increased in August prime sheep slaughter dipped back behind 2017 levels at Scottish abattoirs in September. This reflected a smaller lift in the average weekly kill between August and September than had been the case in 2017. Weekly throughput rose by 4.4% this year to just over 24,500, compared to a 9.5% increase between the two months in 2017. As a result, there was a 2.1% year-on-year decline in slaughter to 98,100 head. In contrast to Scotland, DAERA

reported a small increase in lamb slaughter at NI abattoirs, with numbers rising 0.7% on last year. However, the working-day-adjusted E&W kill returned to decline in September, trailing year earlier levels by 12.7%.

Lamb carcase weights continued to edge higher at Scottish abattoirs in September, picking up by 0.1kg on the month and by 0.2kg (1%) on the year to reach 20.3kg. This partially offset the falling kill, limiting the decline in prime sheepmeat production to 1.1%.

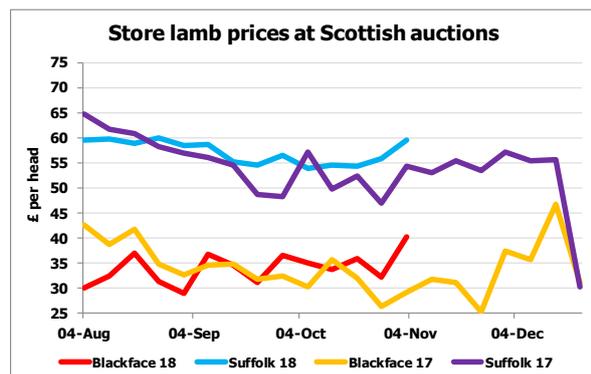


After lacking overall direction between-mid-August and mid-September, cull ewe prices at Scottish auctions fell back for a month, dropping to their lowest level of the year so far in the week ending October 17 (£42.53). However, by the end of the month, prices had lifted again, trading at £48.87 in the week to October 31. Having risen in late September, auction volumes slipped back through October, ending the month at a six-week low.

During the four weeks to October 31, weekly marketings were 5.1% ahead of year earlier levels, at 7,676 head.

The mature sheep kill at E&W abattoirs is estimated to have showed a fifth decline in six months during September, running 4.9% behind year earlier levels. While the slaughter of mature sheep remained a rare activity in Scotland, with only 2,200 processed over the four-week period, it did continue to run strongly ahead of last year and carcase weights were once again in excess of the UK average (28.0kg vs 25.8kg).

## Store Lamb Market



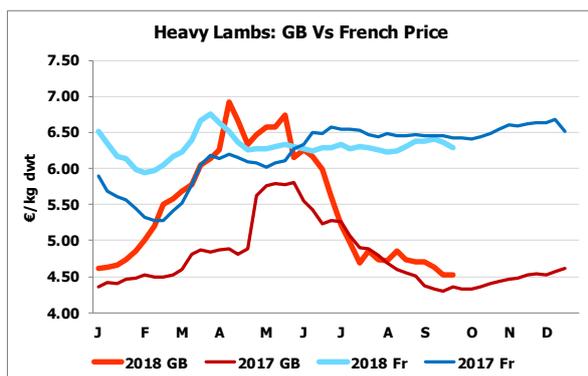
Having averaged around 40,000 head per week in September, fewer than 18,000 store lambs were traded on average during October at Scottish auctions. This was a more significant seasonal decline than had been seen in 2017, resulting in numbers trailing year earlier levels by 12.6% in October compared to a 1.1% shortfall in the previous month. Lower volumes may have been one factor supporting prices which trended higher in October. Nevertheless, the average selling

price was still slightly lower in October (£46.96) than it had been in September (£47.08). Compared to a year earlier, the average price paid by finishers was around 8.5% higher for a second month. At 20,900 head during October, one quarter fewer Blackface lambs were traded than had been in the same month last year, but their average price firmed by 13.5% to £35.59. Meanwhile, Cheviot sales fell by 4% and their average price rose by 9.5% to £44.60. Lower marketings of Suffolks and Texels may also have boosted their prices with numbers down by 20% and 15% respectively, and prices for the former rising by 5.5% to £55.64 and by 7.2% for the latter to £56.30.

## Retail Sales (Source: Kantar Worldpanel)

The latest detailed household purchasing data for the 12 weeks to August 12 shows that 27% of GB households bought lamb. The number of households buying lamb dropped by more than 10% from the same period last year and those buying lamb bought it less frequently. In addition to a 5.2% rise in the average retail price (to £9.04/kg), sales volumes, which fell by 14.2%, are likely to have been affected by the general tightness of lamb supply. While the volume of leg roasts retailed declined by 2.9% on last year, there were heavy declines of 14.9% for lamb chops/steaks, 18.4% for lamb mince and 35.6% for shoulder roasts. Lamb-based ready meals continued to show a significant contraction, down 12.3% on last year in the twelve weeks to August 12.

Moving into the 12 weeks to October 7, the volume of lamb retailed continued to fall, down 7.9%, as overall spending on lamb was 2.6% lower and the average retail price increased by over 5%.



## EU Market Prices

The EU heavy lamb<sup>2</sup> price continued to trend lower through October. Having fallen by 2.7% in September to end the month at €4.86/kg (426p/kg dwt), prices fell by another 2.1% to trade at an average of €4.76/kg (417p/kg) in the week to October 28. This was its lowest level in 19 months. Ireland and Italy bucked the overall trend during October and ended the month at their highest levels in seven

weeks and seven months respectively. When quoted in sterling, the EU average fell 2.9% on the month but was up 1.5% on the year.

While the EU light lamb<sup>3</sup> average climbed to a ten-month high of €5.78/kg dwt (506p/kg) in late October, it has effectively lacked direction since a 3-month long upwards trend fizzled out in early September. Indeed, the EU average fluctuated between €5.71/kg and €5.78/kg (500-506p/kg) over a nine-week period. In late October, prices were marginally higher on the month but remained lower than last year, down 5.5%. This year-on-year decline reflected that prices had risen through September and into the first half of October last year.

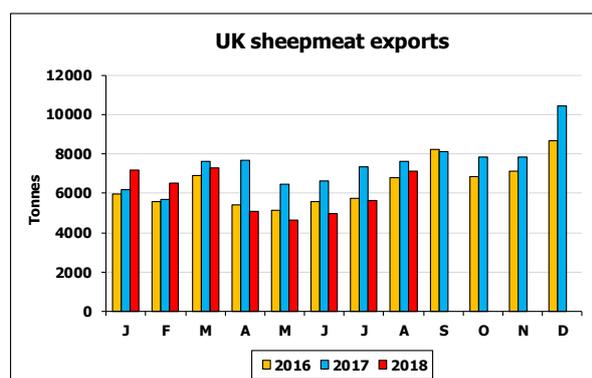
Prime sheep prices in euro terms (c/kg dwt)			
	w/e 28/10/18	% change v 30/09/18	% change y/y
<b>Heavy lambs</b>			
Belgium	446.2	-5.2	-8.7
Germany	517.0	-5.8	-8.2
Spain	543.7	-5.9	-12.2
France	623.0	-1.0	-2.8
Ireland	427.7	+2.3	-2.5
Italy	517.0	+3.2	-8.0
Romania	226.2	+27.5	+7.2
Sweden	364.0	-5.8	-5.9
GB	438.3	-3.1	+1.3
NI	409.2	+2.2	+4.8
EU	476.0	-2.1	+2.2
NZ (17kg)	462.0	-2.1	+7.9
<b>Light lambs</b>			
Bulgaria	542.3	-0.2	-3.8
Greece (21/10)	509.5	+2.1 (vs 24/9)	-1.0
Spain	599.1	-4.2	-11.1
Italy	654.0	+8.8	-2.2
Hungary	590.5	+2.3	+0.0
Portugal	568.0	0.0	+9.7
EU	578.5	+0.2	-5.5

<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

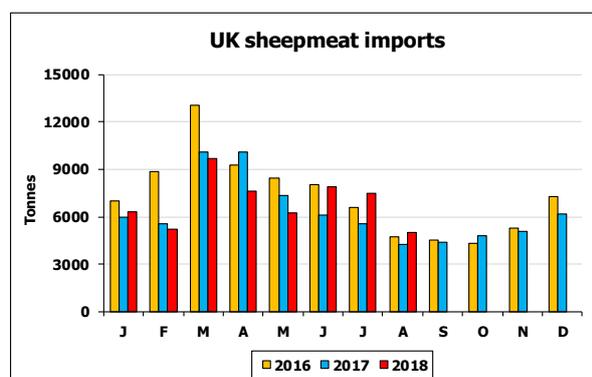
Provisional UK trade figures for August showed a significant recovery following a period where product availability for export had been constrained by tight domestic supplies. Nevertheless, although volumes recovered to a five-month high and were close to their highest level of the year-to-date, they continued to trail 2017 levels. Volumes totalled 7,100t and were down by 6.4% from August 2017 and by 8.3% on their five-year average. One-quarter of production was exported in August, up from 24.5% in the previous month but below the year-to-date average of 26.7% and the 27.8% share seen in August 2017.



UK sheepmeat exports to the EU recovered to a five-month high of 6,900t in August but remained behind year earlier levels. However, the year-on-year decline narrowed to 3.3% after four months with an average decline of 26.6%. Reflecting the seasonal lift in French import requirements for Eid al-Adha, shipments to France climbed to a 2018-high of 3,550t in August and accounted for 49.8% of total exports. However, they continued to trail 2017, down 11.6%. Like France, exports to

Germany also rose for a fourth month. However, unlike France, at 1,250t, they were up by 29.4% on last year. Sales to Ireland and the Netherlands also exceeded year earlier levels, rising 14% and 22% respectively, but trade with Belgium and Italy contracted by 15% and 13%.

The UK continued to export very little outside of the EU in August with shipments totalling only 215t. This was down by more than 50% on the year. At 145t, Hong Kong accounted for around 69% of this total, with sales to this market contracting by 53% on last year.



August was the third consecutive month of year-on-year increases to UK sheepmeat imports. Volumes rose by 17.4% to 5,000t, but this saw them trail their five-year average for August by 0.4%. With UK production building, import volumes were at their lowest of 2018.

At 3,050t, UK imports from New Zealand (NZ) exceeded year earlier levels for a third month. However, the rate of increase did ease to

12.2% from an average of 38.5% in the previous two months and volumes trailed their five-year average by 19%. Imports from NZ made up 61% of the monthly total; the lowest of the year-to-date and 2.8 percentage points behind the same month last year. For a second month, imports averaged cheaper than a year earlier, down 6.4% at £4,890/t; though this remained nearly a fifth above the five-year average. Imports from Australia showed year-on-year growth for a fourth month, climbing by 15.6% to 670t. Despite rising to their highest average value per tonne of 2018 and being more expensive than NZ sheepmeat for a third month, imports from Australia averaged cheaper than in the same month last year at £5,240/t. Provisional import figures from Ireland suggest that volumes surged to 970t from an average of 540t in the January to July period.

## Global Market Round Up

Despite the Irish census reporting a decline in other sheep numbers in June this year the Irish lamb kill has been higher than last year since June, and so too has their ewe kill. Although cross border movement of lambs from Northern Ireland for slaughter in the Republic of Ireland is an important trade, over 90,000 head being exported direct for slaughter in the past quarter, an increase of 6% on the year, it is likely that the Republic of Ireland has killed a higher proportion of their 2018 lamb crop and their supplies may tighten into the new year alongside a potential for a reduction in the size of their ewe flock.

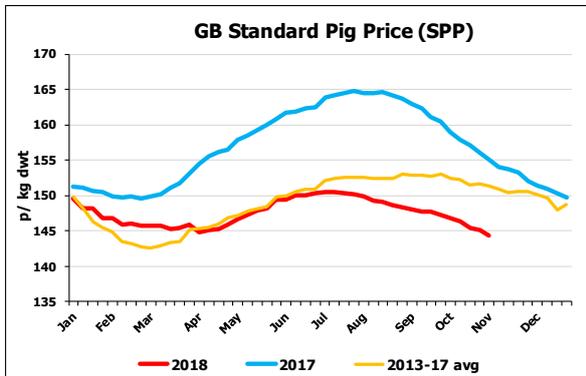
Data from the French Agriculture Ministry shows that the country's abattoirs handled 0.3% more lambs during the third quarter (Q3) of 2018 than in the same period of 2017. Numbers picked up to reach 887,800 head. With carcass weights up a fraction at 18.6kg, lamb production rose by 0.4% to 16,500t.

Total lamb exports during New Zealand's 2017-2018 lamb marketing year which closed at the end of September showed a growth of 6.5% recovering all of the decline seen in the previous marketing year. Growth in deliveries to the UK was a more modest 1.7% and volumes were still well behind the levels seen two to five years ago. Deliveries to the EU as a whole grew 5%. The most significant growth was seen in deliveries to China which grew by more than 20% making this market of equal importance to the European Union in terms of volumes traded if not value. Despite a climate-induced reduction in slaughterings during February and March, over the whole of the 2017/2018 marketing year New Zealand slaughtered 20.1m lambs, up from 19.4m in the previous year. There was also a growth of 10% in adult sheep kill.

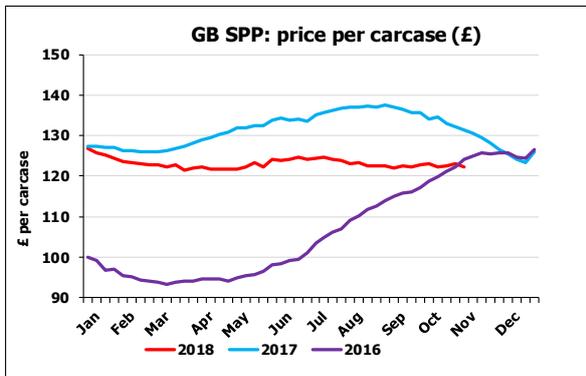
Meanwhile, Australia also reported strong growth in exports to China during the 2017-2018 marketing year. Growing by more than 44% in the year to August, Meat and Livestock Australia now report China to be the largest market for Australian sheepmeat overtaking America. Live exports are an important part of the Australian lamb market, particularly for Western Australia, with over 1m lambs shipped annually but this trade was suspended for an extended period during 2018 when a major exporter had their licence suspended although they are expected to return to operations in the final quarter of 2018. Due to live export limitations and the continuing challenges of drought Australian lamb slaughterings were particularly high over the first third of 2018 before supplies reduced as the marketing year drew to a close. Strong export demand however sustained strong prices, and even as new seasonal supplies began to grow in volume through October, prices have continued to remain firm.

# Pigs

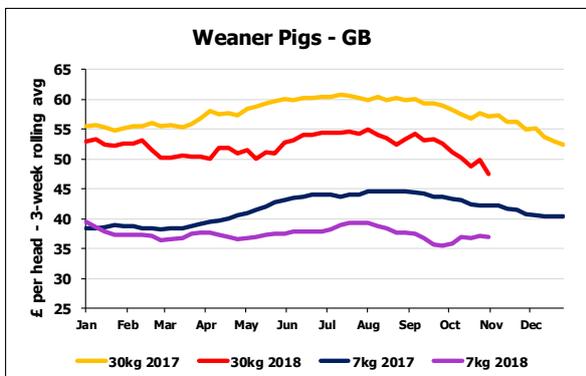
## Domestic Market



Prime pig prices continued to face downwards seasonal pressure through October. The week ending November 3 was the sixteenth straight week in which the GB Standard Pig Price (SPP) had fallen, leaving it 6.14p/kg (4.1%) below its mid-July peak, at 144.33p/kg dwt. However, the year-on-year price differential continued to ease back from its late August peak of -9.4%, narrowing from -8.2% in the final week of September down to -7% in late October. Following a marginal uplift in weekly processing numbers in September, there was a small increase of 0.3% to 83,860 head in October. Weekly numbers have been more stable this year than last year when they had trended steadily higher through the autumn.

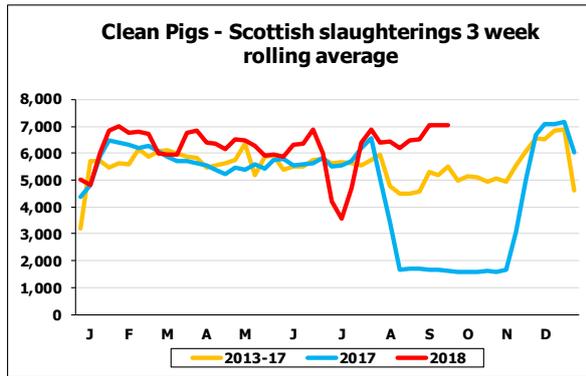


Carcass weights began to pick up more strongly in October after a sluggish start to their traditional seasonal upturn. Indeed, the three-week rolling average carcass weight in the SPP sample rose by 1.9% during October having edged higher by 0.7% in September. This pushed it up to a nine-month high of 84.6kg, which was 2.7% above its summer-low. Nevertheless, it was still a fraction short of its year earlier level. Combined with rising weekly slaughter volumes, higher carcass weights will have placed downwards pressure on farmgate prices. However, on a per carcass basis, the rise in carcass weights since the summer has been sufficient to offset the fall in per kilo prices. This saw the average price per carcass end October at £122.35. This was £2.22 below its June-peak, but only 21p below its average since August. With carcass weights approaching year earlier levels, the price per carcass was down by a similar rate as per kilo prices, having shown a more significant decline between mid-July and mid-October.



Prices for 30kg weaners continued to exhibit considerable volatility in October and thin volumes mean that no price was reported for either the week to October 27 or November 3. When last reported, its three-week rolling average had dropped to a two-year low of £48.78 and was down by 14% on last year. Meanwhile, prices paid for 7kg weaners are reported to have stabilised at £36.92 in the three weeks to November 3, leaving them down by 12.7% on last year. As a proportion of the SPP finished carcass price, 7kg weaners traded at 30.1% of it in the three weeks to November 3, while 30kg weaners were at 39.8% of it in mid-October. While this was an increase by a percentage point on late September for 7kg weaners, it was a slide by 3.2 points

for 30kg store pigs. A year earlier 7kg weaners had been equivalent to 32% of the finished carcass price while 30kg weaners had traded at 43.2% of it.



Scottish abattoirs processed 28,100 prime pigs during September. At 7,020 head per week, volumes climbed 10.3% from August's weekly average and were 11.8% ahead of the year-to-date average. Slaughterings remained well above year earlier levels when processing capacity had been limited by fire damage at Brechin abattoir.

Following thirteen months of annual increases, prime pig throughput at E&W abattoirs fell

0.6% short in September. In NI, DAERA figures point to a more significant decrease of 5.2% as a 0.5% fall in home produced pigs was added to by a 16.8% fall in imports. Imports accounted for 25.3% of slaughterings in NI, compared to 28.8% in the same month last year.

Reports of subdued growth rates in prime pigs following the warm dry summer appeared to show up in the UK slaughter data for September as the average carcass weight only showed a fractional increase between August and September compared to an average lift between the two months of 1.3kg over the previous five years. As a consequence, at 82.9kg, carcass weights fell 1.7kg (2%) behind year earlier levels, having spent most of 2018 ahead.

Scottish abattoirs now have the capacity to handle the majority of Scottish-born sows being sent for slaughter. September saw just over 1,200 sows processed, with the weekly average easing slightly from August's 310 head. In E&W, working-day adjusted sow throughput showed its thirteenth year-on-year increase in fourteen months, up 1.8% in September.

### Retail Sales (Source: Kantar Worldpanel)

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

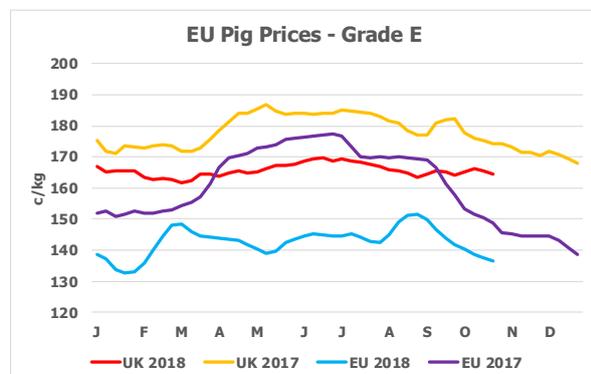
Headline figures for the 12-week period ending on October 7 show that household spending on pork continued to fall short of year earlier levels, down 3.9%, with sales volumes 2.8% lower as the average price continued to run around 1% lower.

Processed pork products generally showed volume growth in the twelve weeks to August 12. Pork pies and pork-based ready meals led the way, up 6%, while sales of pork sausages rose by 3%, and there was a slight 0.7% lift for sliced cooked deli meats. However, bacon sales were unchanged and there was a small decline of around 1% for sausage rolls.

In the 12 weeks to October 7, bacon sales volumes continued to match last year's levels, supported by a 2% price fall, while sliced cooked deli meats showed an increase of around

1% on a stable average price. In a possible legacy from the weather-related change in consumption of the summer, sausage sales continued to show strong growth, with volumes up 4% despite an average price that was around 1% above 2017 levels.

## EU Market Prices



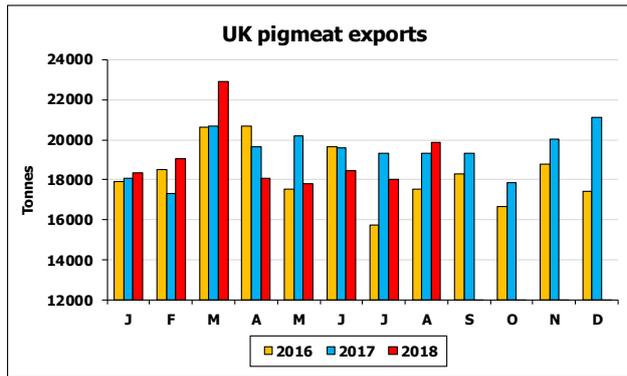
The seasonal decline in prime pig prices seen across the EU during September continued into October. However, the rate of decline did ease as the month progressed as market prices began to stabilise in a number of major pig producing countries, including Denmark, Germany and the Netherlands. After falling by around a fifth in September, following a case of African Swine Fever (ASF), Belgian prices also stabilised in October. By contrast, prices continued to slide significantly in France, Spain

and Poland. In late October, the EU average for grade E pigs stood at €1.36/kg dwt (119p/kg), which was down by 3.8% on the month and 8.2% on the year. A weekly price forecast for the key German market suggests that supply and demand have been well-balanced in early November. In sterling terms, the EU average decreased by 6.1% on the month to trade at a 9% year-on-year discount. This reflected a slight recovery in sterling on both the month and year. With the UK average price proving more stable than the EU average for a second month (in euro terms), the UK premium continued to widen, going from 15.7% in late September to 20.6% in late October. This was the largest gap since late January/early February.

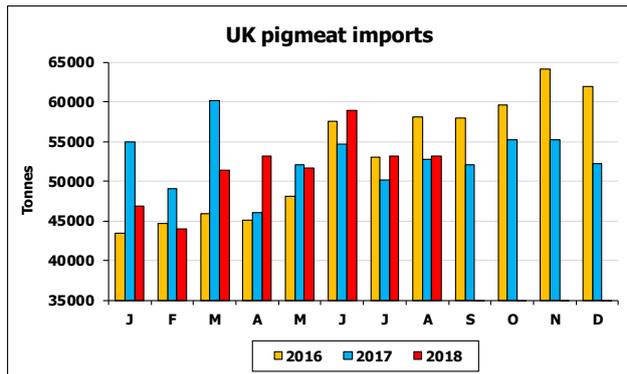
EU Grade E Pig Prices in euro terms (c/kg dwt)			
	w/e 28/10/18	% change v 30/09	% change y/y
Belgium	104.0	-2.1	-19.3
Denmark	126.7	+1.1	-10.6
Germany	140.3	-3.0	-7.6
Spain	132.9	-8.1	-2.9
France	130.0	-4.4	-2.3
Netherlands	121.2	-4.1	-10.7
Poland	131.3	-5.6	-11.7
UK	164.5	+0.2	-5.7
EU	136.5	-3.8	-8.2

## UK Export & Import Statistics

UK pigmeat exports returned to year-on-year growth in August following four months of declines. Volumes rose by 3% to 19,900t. This was 17.7% above their five-year average for the month. Pork shipments followed on from four months of declines to post a 1% increase, with volumes reaching 18,100t, while bacon & ham exports grew strongly for a second month, up 28% at 1,800t. Exports are estimated to have accounted for 24.4% of UK pigmeat production in August. Although this was 0.6 percentage points higher than in July, it fell 0.4 points short of the year-to-date average and trailed year earlier levels by 1.5 points.



At 4,050t in August, China/Hong Kong remained the largest destination for UK pork exports, accounting for 22.4% of the monthly total. However, shipments continued to trail year earlier levels, down 19.1%. While trade with Denmark trailed 2017 levels to a similar degree, exports to Germany, Ireland and the Netherlands rose strongly. Germany was the second largest market in August, on 3,050t, with Ireland on 2,700t and Denmark 2,400t.



UK pigmeat imports edged 0.8% above year earlier levels in August. At 53,150t, volumes were also 5.3% above their five-year average. The overall increase came despite a 7.5% decline in pork imports, to 33,850t, as this was more than offset by a one-fifth lift in imports of bacon & ham to 19,300t. As a result, the share of pork in pigmeat imports slipped to 63.7% from around 69% in both the previous month and in August 2017.

At 12,200t and a 36.1% share of imports, Denmark was the largest supplier of pork to the UK in August. However, this marked an annual decline of almost 10%. By contrast, Germany gained market share, with volumes climbing 17% to 8,300t and a 24.5% share. Of the other prominent suppliers, Belgium, Ireland and Poland shipped more to the UK than twelve months before, but less arrived from France, Spain and the Netherlands.

Although imports of bacon & ham to the UK from the Netherlands slipped to their lowest volume of the year so far and fell 17% short of year earlier levels, it remained the UK's principal supplier, delivering 6,000t. In contrast, imports from Denmark and Germany rose by approximately a quarter on the same month last year, reaching 5,450t and 3,850t respectively, while there was a surge in imports from Ireland to 3,300t.

## Feed Market

After picking up in late September, spot feed wheat prices declined in North East Scotland through October, beginning the month at around £177 and closing it at a three-and-a-half-month low of £167. Despite easing back, as global grain production forecasts were revised higher due to positive developments in the EU, Russia and the US, prices remained around a quarter above 2017 levels. However, feed barley edged higher to trade at £173/t in late October, matching its previous 2018-high set in late August and placing it 52% dearer than twelve months before. Rising animal feed production in the UK has continued to underpin grain prices from the demand-side.

After picking up in mid-October, soyameal prices eased back again towards the end of the month. While some positive signs with regards to trade relations between the US and China had supported the market, these pressures were offset by favourable reports of planting in Brazil and high inventory levels in the US. This left the cost of imported soyameal at around

£320 as October drew to a close. Although soyameal has been trading at its lowest levels since January in recent weeks, it has still been priced 6-7% more expensive than last year.

### **Global Market Round Up**

Latest estimates published by the European Commission show a growth in piglet numbers particularly in the lighter weight ranges which would suggest expansion in EU pork production in the final quarter of 2018 and into the first quarter of 2019. However, the census results also show some modest decline in breeding sow numbers, with only Denmark of the major producers showing growth, suggesting growth in production may be short-lived.

After more than two months of increases, the globally important Chinese pigmeat market faced some downwards seasonal pressure through October. According to price reports from China's Ministry of Agriculture, the wholesale cost of pork rose by 21% during the third quarter of the year, closing September at a seven-month high of 20.02 yuan/kg (£2.21/kg). However, prices had dropped 3.8% below this by the end of the week to November 4, averaging 19.26 yuan/kg (£2.13/kg). Having narrowed from -16.6% at the beginning of Q3 to end the quarter at -2.6%, the year-on-year discount widened again, reaching an 11-week high of 5% in early November. At its peak in early May, this annual rate of decline had approached 26%. Pork's relative price to beef and lamb fell back through October, taking it down from 34.1% of the beef price in late September to 33% of it, and from 35.4% of the lamb price to 33.6% of it. Meanwhile, its price premium over chicken narrowed from 30.4% to 27.9%. This made it more competitive against all three than it had been in late October 2017.

The USDA report continued growth the US pig herd which is 3% higher over the past quarter to stand at 6.3m pigs and is at its highest point for a decade but well below levels seen in the 1990's. It has added 410,000 sows since September 2014. Fuelling this growth is expansion in the US pork processing capacity which has seen 3 new plants come on stream recently with a fourth due to start production at the turn of the year. When this fourth plant comes on stream the USDA estimate that these four plants will have a requirement of 40,000 pigs per day. This increased production is though expected to lead to significant reduction in producer prices. Exports will be critical to the US and despite increased tariffs from Mexico and China leading to reduced deliveries to these countries in the short term they have built demand in other Asian countries (South Korea, Japan and the Philippines) and South America.

USDA is also forecasting a modest expansion in global pork production in 2019, even in China despite its problems with ASF. Global trade is also forecast to expand with growth in exports from the EU, Brazil, USA feeding growing demand from Asian countries.

**Iain Macdonald and Stuart Ashworth – November 2018**