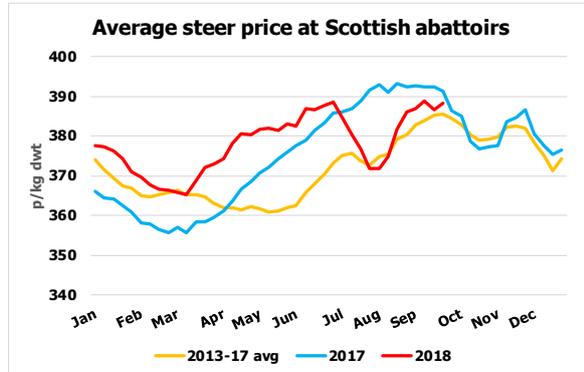


# MARKET REPORT - September 2018

## Cattle

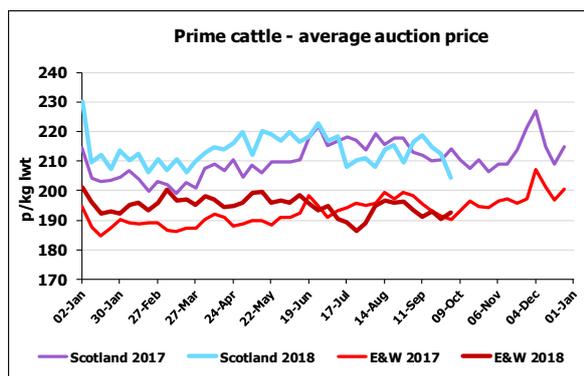
### Domestic Market



After the volatility of July and August, the prime cattle market lacked direction in September. Back in July, the average steer price had fallen by around 17p/kg, before rising 14p in August. Moving into September, it traded in a narrow range of 387-389p/kg dwt, leaving it at a year-on-year discount of around 1% throughout the month. During the month, the average price paid for an R4L grade steer spent three weeks at around 393p/kg, rising to 394.5p/kg in the second week. At 393.1p/kg, it ended the month 1.2% below 2017.

The number of prime cattle handled by reporting Scottish abattoirs picked up through September, closing the month at a 9-week high. September's weekly average kill was 7% higher than in August, placing it 5.3% ahead of year earlier levels, having dropped 4% behind 2017 in August.

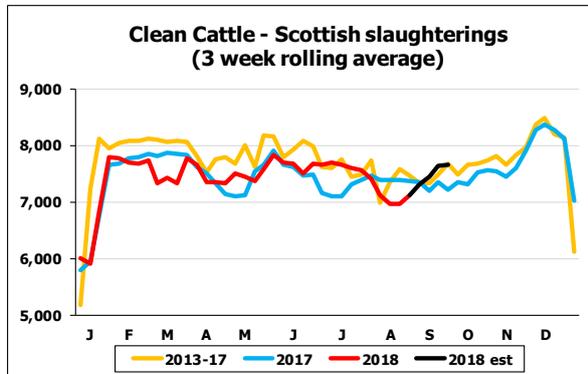
After lifting to an 8-week high of 16p (4.2%) in the opening week of September, the premium for an R4L grade steer at Scottish abattoirs compared to England & Wales was lower in the remainder of the month, averaging around 12p/kg (3.2%). Meanwhile, R4L steers at Scottish abattoirs had opened September trading at a 3.5p/kg premium to -U4L steers, but this gap closed in the final week of the month; the first week in 2018 without an R4L premium. Nevertheless, the premium did average 2.2p during the month. For heifers, the premium for -U4L grades over R4L grades widened to 5.3p from 1.9p in August. This does still indicate that -U grade steers are being penalised due to heavy carcase weights.



Having trended higher through August and into September, prime cattle prices slipped back again at Scottish auctions in late September. The three-week rolling average for prime cattle climbed to a 10-week high of 217p/kg lwt in the week ending September 19, before easing to 210p/kg in the week to October 3. In part, this fall was driven by the quality of the heifers traded at sales on October 1 and October 3. After three weeks slightly above year earlier levels, the three-week rolling average slipped back below 2017 levels, down 0.5%. At 281 head, the average weekly auction volume in the five weeks to October 3 was down by 11% from August and by 23% on the same period last year.

Slaughter statistics for August 2018 are based on a five-week statistical month for Scotland and Northern Ireland (NI), running from July 30 – September 2. For E&W, slaughterings are based on the calendar month and have been adjusted for working days.

At Scottish abattoirs, the average weekly prime cattle kill fell by 7.7% between July and August to 7,020 head, compared to a marginal drop of 0.2% between the two months last year. This saw the monthly total for August, of 35,100 head, fall 4.5% behind year earlier levels. According to DAERA figures, the prime kill at NI abattoirs also went from an increase in July to decline in August, sliding by 2.3% to 28,400 head. Defra statistics showed a 3.6% fall for England & Wales.



Nearly all of the year-on-year decline in slaughter at Scottish abattoirs during August was down to a shortfall in steers. Indeed, while steer numbers fell by 9.7%, the heifer decrease was only 0.4% and 7.3% more young bulls were processed than in August 2017. Although young bull slaughter exceeded year earlier levels, numbers did begin to fall back seasonally, giving them a 12.7% share of the prime kill compared to July's 13.5%. Meanwhile, the heifer share

rose by 1.9 percentage points on the month to 36.8% and the steer share dropped by 1.1 points to 50.5%. Compared to a year earlier, these shares were down significantly for steers (from 53.4%), but up by a respective 1.5 and 1.4 points for heifers and young bulls.

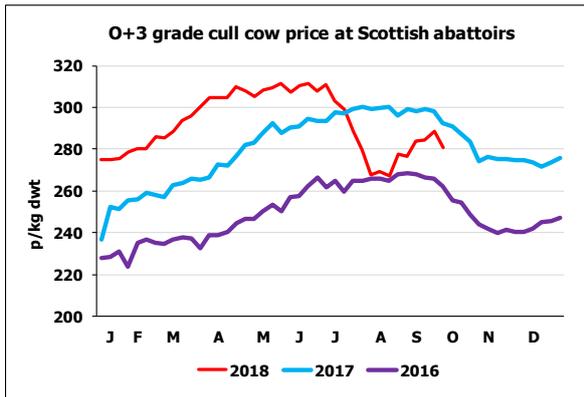
Average carcass weights at Scottish abattoirs (kg)				
	Steers	Heifers	Young bulls	Prime Cattle
August 2018	376.9	339.0	367.6	362.1
July 2018	383.6	341.2	374.1	367.9
August 2017	376.4	339.7	367.6	362.7

The average prime cattle carcass weight at Scottish abattoirs fell by 5.9kg (1.6%) between July and August to 362.1kg, pushing it slightly behind its year earlier average of 362.7kg. All three categories saw monthly falls, led by steers at 6.8kg and young bulls at 6.4kg, with heifers down 2.2kg. Compared to August 2017, steer carcasses averaged 0.4kg heavier (0.1%), but this was offset by a decline of 0.7kg (-0.2%) for heifers. Young bull weights were unchanged. Market signals had been placing downwards pressure on steer carcass weights for a prolonged period, so their renewed increase is a development to monitor.

August's marginal year-on-year decrease in the average prime cattle carcass weight at Scottish abattoirs saw prime beef production fall by 4.7%, slightly faster than the 4.5% decrease in throughput.

During August, the average price paid for a prime steer carcass by Scottish abattoirs was £1,423. This was down by 3.6% from a year earlier as a 3.7% fall in per kilo prices was partially offset by a 0.1% increase in the average steer carcass weight.

After picking up in late August, cull cow prices continued to firm in the first three weeks of September, with the O+3 grade price recovering to a two-month high of 288.7p/kg dwt. However, prices cooled again in the final week of the month, slumping to a four-week low of 280.5p/kg. Though this marked a 4.8% recovery from the early August low-point, it was still



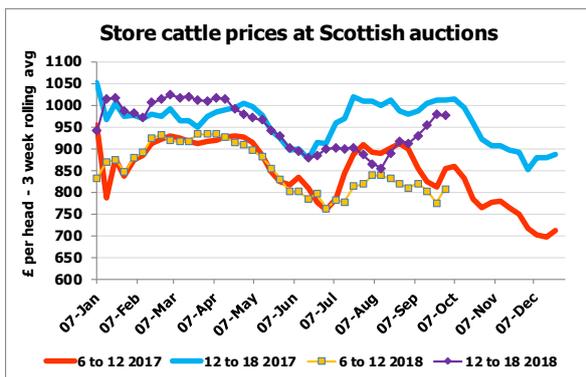
a year-on-year shortfall of 4%. The price slump of July and August had led to a sharp drop in weekly average numbers at reporting abattoirs, but processing picked up again in September to end the month at close to their 2018-peak. On a weekly average basis, numbers handled in September rose by 18.3% from August, but still trailed 2017 volumes by 7.3%.

After cooling between mid-June and mid-July, cull cow prices lacked direction at Scottish auctions, averaging between 115-121p/kg lwt over a ten-week period. However, prices dropped below this level in late September, before sliding to a 51-week low of 109p/kg in the week ending October 3. Weekly marketings have risen seasonally, with the three-week rolling average reaching 677 head, up from 597 head at the end of August, although this was well below year earlier levels of 787 head. In week to October 3, beef cows, which accounted for 72% of marketings, averaged 117p/kg while dairy cows sold for 84p/kg.

Following two months of year-on-year increases, the mature cattle kill fell 12.3% behind 2017 levels at Scottish abattoirs during August, slipping to 6,550 head. At an average of 1,310 per week, volumes fell by 6% from July compared to an 18.4% increase between the two months last year. By contrast, Defra slaughter data points to a continued increase at E&W abattoirs, with volumes exceeding year earlier levels by 3.2%. This was slightly slower than the 3.5% increase reported by DAERA for NI abattoirs.

At 336.2kg, cull cow carcase weights at Scottish abattoirs exceeded year earlier levels for a sixth month in August. This was despite a sharp month-on-month drop of 7.5kg, which was more significant than the 6.2kg fall between the two months in 2017. Carcase weights were 4.1kg higher than in the same month of 2017; an increase of 1.2%.

### Store Cattle Market

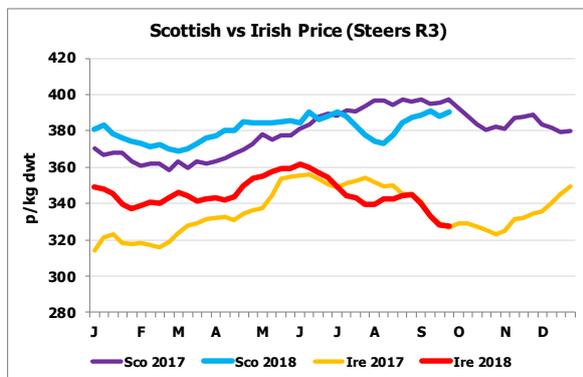


The main autumn selling period for store cattle began in September with numbers sold in the 6-12 and 12-18-month age groupings averaging a combined 3,430 head per week compared to just over 1,000 head during August. With numbers running much lower in the 6-12-month category, their prices were volatile during September and weekly average prices ranged from £723 up to £931. By contrast, there was a much tighter range in the older group of £970-986. As September drew to a close, the three-week rolling average price for weaner steers was down 5.4% on last year at £807 while yearlings traded at £976 - a 3.6% discount. In the four weeks to September 29, volumes in the younger category rose by 38.5% from the previous four-week period and were down by 14% from last year, while 12-18-month steers – which made up 86% of marketings across the two categories – more than tripled from the previous four weeks to edge above 2017 volumes.

## Retail Sales (Source: Kantar Worldpanel)

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

Data for processed beef products also points to the warm weather leading to changes in consumption, with burger volumes up 15% 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%.



## EU/International Market Prices

After steadying in August, the downturn in Irish prime cattle prices of June and July returned in September, reflecting a seasonal lift in supply. The average R3 grade steer price stabilised at €3.81-€3.83/kg (335-337p/kg), for six weeks, before sliding again from the opening week of September. By the final week of the month, prices had fallen by 3.9% to trade at a 47-week low of €3.67/kg (323p/kg). This was a year-on-year decline of 1.3%.

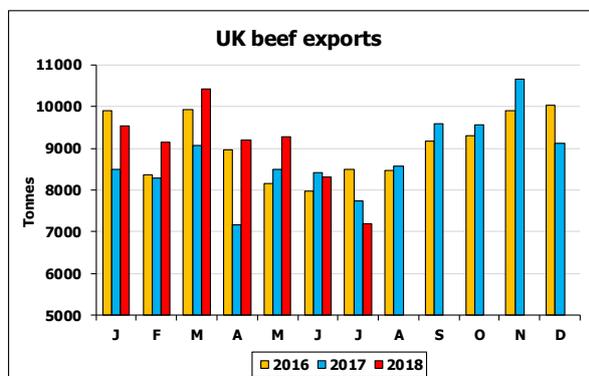
When converted into sterling, Irish prime cattle prices also fell back significantly in September, with a small lift in sterling's value against the euro turning the 3.9% euro terms decline in the R3 grade steer price into a stronger 5.1% decline. Having closed August at 345p/kg, prices had slumped to 327p/kg by the end of September. However, with sterling proving weaker than a year earlier, prices were up marginally on the final week of September 2017, compared to the 1.3% euro terms decline. Given that Scottish prime cattle prices firmed through September, the Scottish premium over the Irish average for an R3 grade steer widened significantly, from 12% as August ended to 19% as September drew to a close. This was its largest level since the same week last year when it had stood at 21%.

The EU average for an R3 grade young bull has faced downwards pressure for much of 2018-to-date. However, there was some recovery in September, with prices lifting from €3.68/kg dwt (324p/kg) in the final week of August to close September at 12-week high of €3.72/kg (327p/kg); an increase of 1.1%. Nevertheless, the market continued to clear at a lower level than in 2017, down 1.9%.

Following a sharp fall in July, the EU average price for an O3 grade cull cow traded in a narrow range between €2.88/kg dwt (253p/kg) and €2.92 (257p/kg) through August and September. As September closed, prices averaged €2.90/kg (255p/kg). Though up 0.2% on the month, this represented a year-on-year shortfall of 3%.

International cattle price comparison (p/kg dwt)						
	Steer/Young bull (R3)			Cow (O3)		
	w/e 30/09/18	% change Vs 02/09/18	% change y/y	w/e 30/09/18	% change Vs 02/09/18	% change y/y
Scotland	390.5	+0.8	-1.6	274.9	+2.3	-3.1
E & W North	378.7	+1.6	+0.5	266.9	-0.1	-2.7
E & W Central	375.5	+1.4	-0.4	267.0	-1.1	-4.6
E & W South	379.6	+1.5	+0.7	266.0	-1.7	-6.0
NI	358.7	+0.2	+0.8	269.2	-1.8	-1.6
RoI	327.3	-5.1	+0.1	261.3	-5.5	-5.7
Belgium	268.8	-1.1	+2.7	247.2	-1.0	+1.5
France	331.1	-0.3	-1.4	291.5	-1.2	+2.0
Germany	340.5	-0.5	-1.7	256.3	-1.4	-8.5
Netherlands	307.5	+3.6	+0.8	237.1	-0.1	-12.2
Spain	332.3	-3.4	-2.8	222.6	-0.6	+17.9
Poland	300.3	-1.8	+2.3	256.6	-0.2	+3.4
Italy	336.7	+3.2	-6.3	245.1	-0.7	-2.8
Sweden	365.6	+1.1	-8.7	327.5	+1.5	-9.8
EU28	331.3	-0.1	-0.5	258.7	-1.0	-1.7
EU prices converted at a weekly € value of:	89.1p	90.2p	87.8p	89.1p	90.2p	87.8p
USA	292.1 (steer)	+1.1	+3.7	186.4 (Cutter: 90% lean & >225kg dw)	-5.8	-9.2
Australia	270.7 (EYCI – steers & heifers)	+0.4	-9.4	237.2 (Medium cow)	+2.6	+0.8

## UK Export & Import Statistics

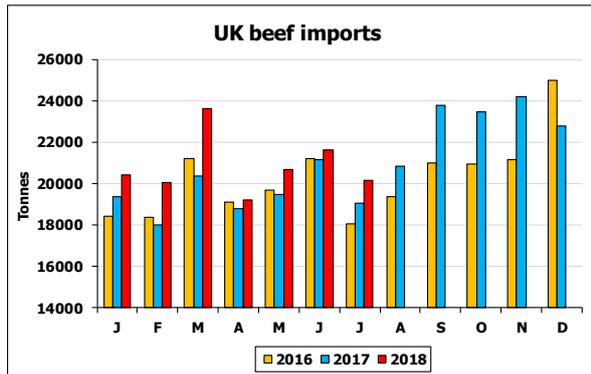


Provisional trade data from HMRC suggests that July was the second consecutive month in which UK beef exports decreased relative to last year. Volumes fell by 6.9% to 7,200t and were 11.8% below their average July volume between 2013 and 2017. Exports are estimated to have been equivalent to 9.5% of UK beef production in July; down two percentage points from June, 1.2 points on the year, and 2.4 points below the year-to-date average.

UK beef exports to the EU fell by a below average rate of 2.4% in July, slipping to a provisional figure of 6,350t. The two largest destinations continued to see divergent performance in July,

with the volume delivered to Ireland contracting significantly, down 15.3% on last year at 2,100t, whereas sales to the Netherlands surged by 31.6% to reach 1,850t. Smaller markets also showed mixed performance, with Belgium and France growing, but Germany, Italy, Spain and Sweden showing declines.

In July, UK beef exports to non-EU countries trailed 2017 levels for the sixth time in the first seven months of 2018. Volumes contracted by 30% to 860t; 12% of total exports. Shipments to the main non-EU market – Hong Kong (HK) – fell by a below average rate of 9.1% to 550t, giving it a 63.7% share of the non-EU total.



UK beef import volumes showed year-on-year growth for the twelfth time in thirteen months in July. At 20,150t, imports were 5.6% above 2017 levels and 3.4% above their five-year average. Imports continued to rebalance away from fresh product. Whereas fresh beef volumes fell by 9.7% to 12,200t, frozen beef was up 42.7% at 7,900t. Frozen beef accounted for 39.3% of imports; the highest for any month since May 2007 and 10.2 percentage points above the July 2017 level.

The volume of beef imported to the UK from EU countries rose at a below average rate of 3% in July, with volumes reaching 18,600t. As a result, imports from the EU slipped to a 92.4% share of imports – a 2018-low. Imports were once again underpinned by deliveries from the Irish Republic, which rose by 4% to 14,300t; though this was around half of the rate of increase during the first seven months of 2018 combined. At this level, Ireland accounted for 70.8% of the UK's beef imports, compared to 72.5% in June and 71.9% in July 2017. A 9.7% fall in fresh beef imports from Ireland, to 8,900t, was more than offset by a 39.2% surge in deliveries of frozen product, to 5,350t. While imports from the Netherlands also rose in July, up 15.4% at 1,300t, shipments from Poland contracted by nearly a fifth to 1,400t.

Imports of beef to the UK from outside the EU rose sharply relative to last year in July. At 1,500t, deliveries were up 51% and reached a year-to-date high. Nevertheless, volumes remained well below their 2013-17 average for the month. Brazil was the largest non-EU supplier in July, on 280t, and this was a considerable year-on-year increase. Closely behind this were Australia, Namibia, Uruguay and Botswana (in descending order), ranging between 230-270t. Of these four nations, only Australia showed a year-on-year decline.

## Global Market Round Up

The English June agricultural census points to a 1.3% decline in the country's beef breeding herd in 2018. At 711,700 head, numbers slipped to a four-year low and were 0.7% below their 2013-17 average. Meanwhile, the dairy herd also contracted, but it fell by a smaller 0.6% on 2017 and 0.2% on its 2013-17 average, to 1.143m head. This meant that beef cows edged down from 38.5% of the total cattle breeding herd in 2017 to take a 38.4% share in 2018. This was also marginally below the 2013-17 average. To get an estimate of the slaughter pool at June 2018, combining beef females aged one-to-two-years with non-breeding females over two years and males over a year old points to little change at 1.619m head. However, this did mark a 1.1% shortfall on the five-year average. There were significant increases in beef females in 2018, but these were offset by a sharp fall in dairy females and a small overall reduction in males (-1.1%). Looking at the younger age group,

the total cattle population aged less than a year old fell by 0.3% on 2017 to 1.584m head; though this remained 1.4% above its five-year average.

In NI, the June census signalled a significant contraction in the beef herd. At 255,900 head, there were 4.2% fewer beef cows than twelve months before. Dairy cow numbers fell at a slower rate of -1.6% to 310,700 head, raising their share of the total breeding herd to 54.8% from 54.2% in 2017. In-calf heifers showed similar rates of decline. For non-breeding cattle, numbers generally declined. The exception was the over two years of age category, which rose by 11%, while the 6-12-month group was only 1% lower.

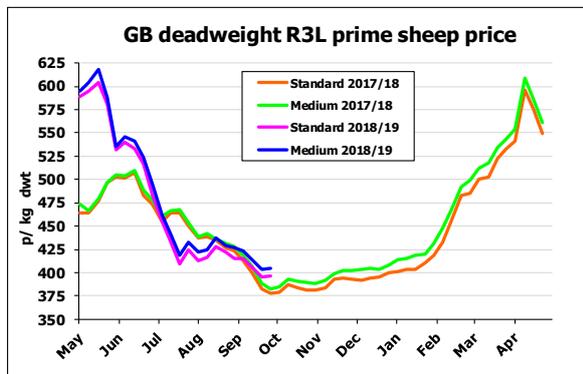
After sliding behind 2017 levels in August, Bord Bia figures for prime cattle slaughterings at Irish export abattoirs showed a return to growth in September. Indeed, having fallen by 5.1% relative to last year in the four weeks to September 1, volumes then rose by 2.6% in the four weeks to September 29. This was slightly above the year-to-date increase of 1.8%. During September, throughput totalled 118,100 head, averaging 29,530 per week. With supplies increasing seasonally, this was 13.5% above the weekly average in the preceding four weeks and 15.5% in front of the year-to-date average. In 2017, the seasonal uplift between August and September had been a significantly smaller 5%, with the increase on the year-to-date average proving slightly smaller at 14.6%. The Irish kill continued to be underpinned by heifers and young bulls in September, with numbers rising by a respective 15.3% and 18.6% on last year, but these gains were partially offset by a 5.2% drop in steer throughput. Nevertheless, steers still accounted for 58.5% of the prime kill, with heifers at 32.9% and young bulls making up 8.6% of the total. These proportions had been 63.3%, 29.3% and 7.4% respectively during the same period last year. In the year-to-date, steers have made up 49% of the kill, heifers 35.9% and young bulls 15.1%.

The Brazilian Government has released slaughter statistics for the second quarter of 2018 (Q2). While numbers processed rose by 4% on the same period of 2017 and reached a four-year high of 7.72m head, they remained 3% below their 2013-17 average. The year-on-year increase was driven by higher slaughterings of female cattle, which rose by 7.9%, while male slaughter increased by 1.1%. As a result, females accounted for 44.3% of the kill, up from a 42.7% share in Q2 2017 and a five-year average of 43.1% for Q2. Given that this followed a high female share of the kill in Q1 2018 (46.7%), it may suggest that some herd consolidation is underway in Brazil.

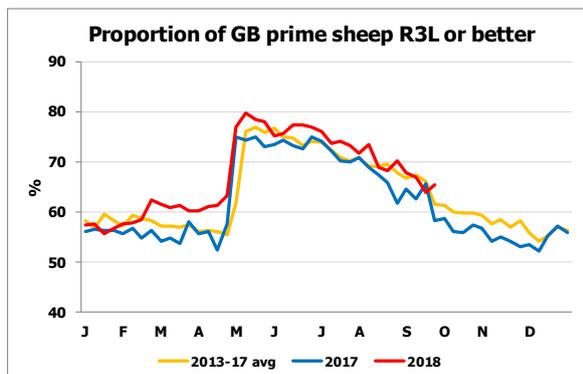
Data made available by Meat and Livestock Australia (MLA) shows that Australia's live exports of cattle for finishing and slaughter rose strongly in the three months to August. At 250,800 head, numbers rose by 30.3% year-on-year. Shipments to Indonesia underpinned this growth rate, rising 34.7% to 177,150 head. Indonesia accounted for 70.6% of live exports, up 2.3 percentage points on the same period last year. Meanwhile, trade with Vietnam rose by 26.8% year-on-year to reach 51,100 head. This saw its share slip by 0.5 points to 20.4%. Other markets bought 22,600 head – a smaller increase of 9.3%, resulting in a decline in their share to 9% from 10.7% in June to August 2017. In the first eight months of 2018, exports of cattle for finishing and slaughter rose by 26.6% to 617,700 head.

# Sheep

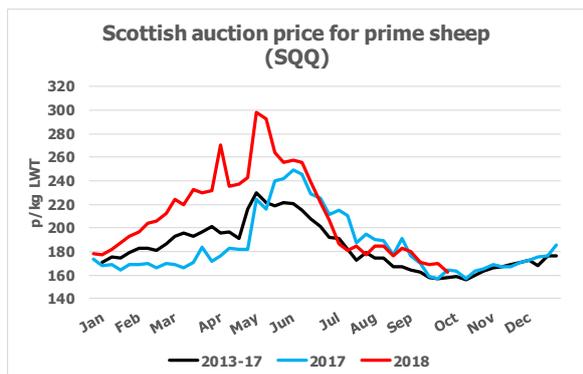
## Domestic Market



The average SQQ<sup>1</sup> lamb price at GB reporting abattoirs fell back in mid-September having previously lacked direction for eight weeks. Indeed, following eight weeks in a range between 417p/kg and 435p/kg, the average dropped to 403p/kg in the second half of September. Having closed August marginally above year earlier levels, the year-on-year price gap had extended to 6.1% by the end of the month. Numbers handled by price reporting abattoirs picked up from late August and were relatively steady through September; though they did end the month at a four-week low. At the end of September, standard lamb carcasses averaged 386.5p/kg dwt with medium carcasses trading at a 18.9p/kg premium to this. However, there was a smaller premium of 8.3p/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. September was no exception, with 66% grading at R3L or better compared to 62.7% in the same period last year. A seasonal slide did however see the proportion drop from 70.4% in August.

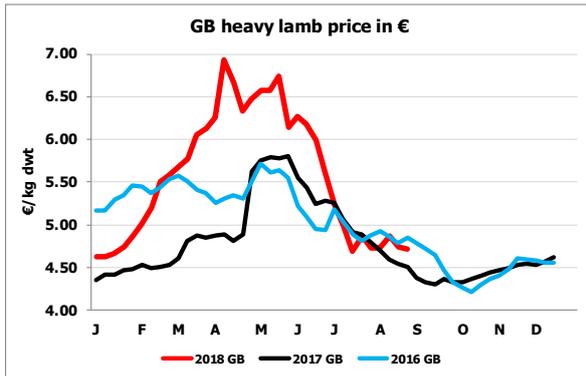


Like GB deadweight prices, the price paid for lambs at Scottish auctions cooled in mid-September. Following eight weeks trading in a range between 176p/kg and 185p/kg lwt, the week ending September 12 saw prices slip to 171p/kg. This started a three-week period of relative stability, before the market cooled further in the week ending October 3, clearing at 162p/kg. This was a year-on-year shortfall of 1.3%, having previously run higher than 2017 for four weeks (by an average of 4.1%). Prices continued to vary significantly across the weight ranges in late September/early

October. Lightweight 25.5-32kg lambs sold at a significant discount, averaging 125p/kg, while standard 32.1-39kg lambs averaged 154p/kg, medium 39.1-45.5kg lambs traded at 163p/kg, and heavy 45.6-52kg lambs sold for 159p/kg.

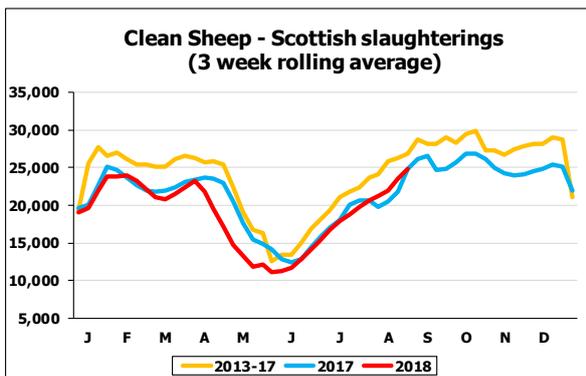
While the value of sterling weakened in August as fears of a no-deal Brexit became elevated, it had actually weakened more significantly in August 2017, meaning that sterling became around 2% stronger than twelve months before. However, towards the end of September,

<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.



sterling fell back behind year earlier levels by around 1%, as it recovered less strongly than it had at the same time last year, when positive developments in Brexit talks and the expectations of a UK interest rate increase had supported sterling. In late September, GB lamb prices traded higher than last year in both sterling and euro terms, with a slightly weaker sterling leading to a higher rate of increase in sterling lamb prices than in euro.

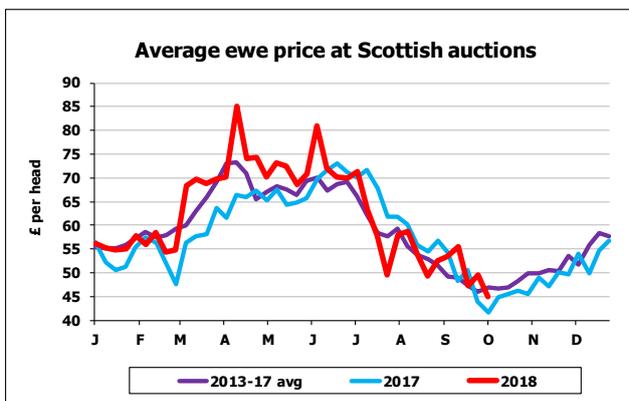
GB auction market data indicates that lamb supplies remained tight relative to last year in the five weeks to October 3. At 477,900 head, marketings trailed year earlier levels by 8.2%. Numbers had begun September on a high, ahead of the Islamic New Year celebrations, before falling back. 73.3% of the lambs sold weighed within the 25.5-45.5kg SQQ weight range over the five weeks, down from 80.2% in August and from 78.1% in the same period last year. In Scotland, prime lamb marketings fell 19% short of year earlier levels in the five weeks to October 3, while the the proportion classed as SQQ fell by 11.7 percentage points on the month and 7.4 points on the year to 66.1%.



There was a more significant seasonal uplift in weekly lamb slaughterings at Scottish abattoirs between July and August 2018 than there had been in the previous year. Weekly throughput rose by 21.7% this year compared to 14.6% last year and this was sufficient to push monthly slaughterings 2.7% above year earlier levels in August, to 117,400 head. This was despite volumes processed in the peak slaughter week ahead of the Eid al-Adha festival being 8.2% lower than last year, at 27,000 head.

In contrast to Scotland, DAERA reported a continued decline in lamb slaughter at NI abattoirs, with numbers down 6% on last year. The working-day-adjusted E&W kill posted its first year-on-year increase since March, up 3.3%.

Lamb carcass weights at Scottish abattoirs edged higher between July and August to average 20.2kg. With a more significant increase having taken place between the two months last year, the year-on-year increase in carcass weights halved to 1.1%. The combination of rising slaughter and carcass weights pushed up prime sheepmeat production by 3.8% on last year.

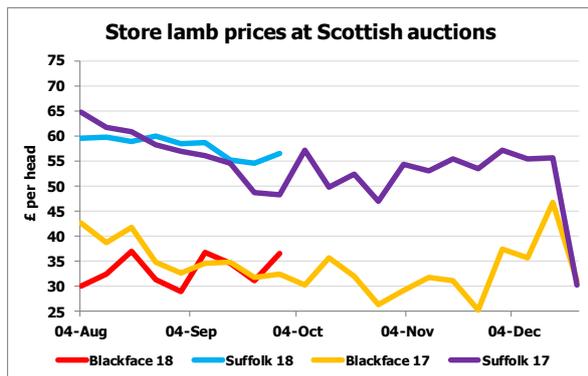


After making a brief recovery in early September, cull ewe prices at Scottish auctions returned to their seasonal trend as September progressed. After reaching a three-week high of £53.91 on September 12, the three-week rolling average slumped to £47.19 on October 3. Nevertheless, this was a lift of 4% from the same period of 2017. Weekly marketings had fallen back in late August and early September after peaking in advance of Eid al-Adha, but picked up again through

September to end the month at a seven-week high. In the five weeks to October 3, auction volumes averaged 7% below August levels and trailed year earlier levels by 9.7%, averaging 7,140 head per week.

The mature sheep kill at E&W abattoirs is estimated to have bounced back from four months of year-on-year declines to rise by 14.2% in August. While the slaughter of mature sheep remained a rare activity in Scotland, with only 2,500 processed over the four-week period, it did continue to run strongly ahead of last year and carcass weights were once again well in excess of the UK average (31.4kg vs 26.7kg).

### Store Lamb Market

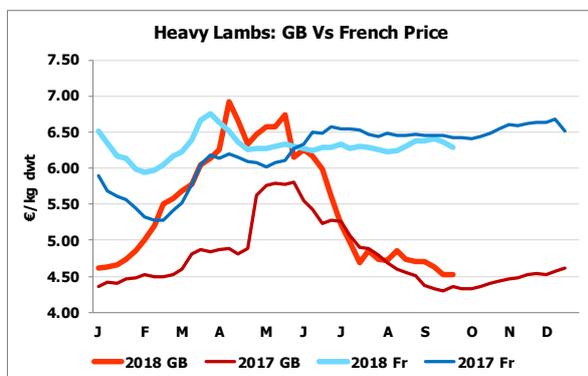


Store lamb marketings continued to trail 2017 levels during September with sales volumes falling by 1.1% to 159,500 head. Finishers paid an average price of £47.08 per head during September. While being 8.4% above year earlier levels, this was down from August's £51.82 as Blackface lambs made up a greater share of marketings. At 30,800 head during September, 26% fewer Blackface lambs were traded than had been in the same month last year. However, their average

selling price rose by 4.3% to £35.21. Prices paid for Cheviot store lambs were also higher than last year, up 1.4% at £44.64, despite more being traded. This was also the case for Texels, as numbers rose by 22% and prices by 6% to £55.40. Meanwhile, Suffolk numbers fell by 5%, helping to support an 8% lift in average price to £56.43.

### Retail Sales (Source: Kantar Worldpanel)

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



### EU Market Prices

Having steadied in August, the EU heavy lamb<sup>2</sup> price eased back again in September, ending the month 2.7% lower at €4.86/kg (£4.28/kg dwt). In France, the market picked up around Eid al-Adha, after a prolonged period of stability, before sliding again after the Islamic New Year celebrations in mid-September. In contrast to most countries, prices picked up in the second half of September in Belgium and

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

Germany; though they did remain lower than at the beginning of the month. When quoted in sterling, the EU average fell 3.9% on the month but was up 1.5% on the year.

Following eleven weeks of increases, the EU light lamb<sup>3</sup> average fell back in the second half of September, ending the month at €5.70/kg dwt (502p/kg). This was 1% below the peak reached two weeks before but still up 11.5% on their level at the beginning of their eleven-week run and 12.3% above their early-June low point. At this level, prices were down marginally on the month and their year-on-year decline widened to -7.5%, reflecting that prices had firmed until mid-October in 2017.

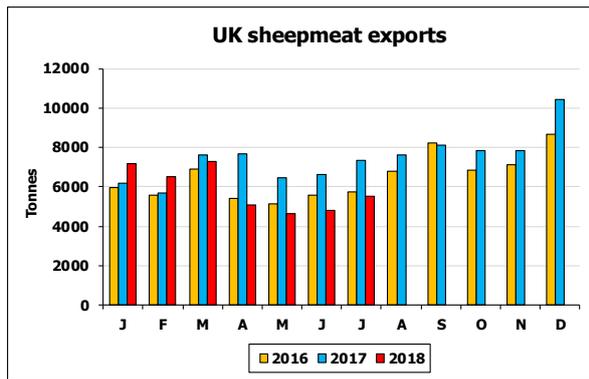
Prime sheep prices in euro terms (c/kg dwt)			
	w/e 30/09/18	% change v 02/09/18	% change y/y
<b>Heavy lambs</b>			
Belgium	470.9	-3.5	-4.6
Germany	548.8	+0.3	-3.8
Spain	577.8	-0.6	-8.6
France	629.0	-1.4	-2.5
Ireland	418.2	-2.8	-1.4
Italy	501.0	-2.3	-5.8
Romania	177.4	-10.0	-18.4
Sweden	386.2	-1.8	-10.6
GB	452.5	-4.0	+4.7
NI	400.3	-1.7	+1.8
EU	486.2	-2.7	+0.8
NZ (17kg)	462.0	-2.1	+7.9
<b>Light lambs</b>			
Bulgaria	543.6	+0.1	-3.6
Greece (23/9)	475.0	-3.2 (vs 26/8)	-10.4
Spain	625.3	-0.6	-8.8
Italy	601.0	-0.3	-6.7
Hungary	577.5	+2.0	-3.1
Portugal	568.0	+13.3	+12.7
EU	570.4	-0.4	-7.5

## UK Export & Import Statistics

Provisional UK trade figures for July reflect that tight supplies continued to restrict sheepmeat exports. Following a strong start to the year, July was the fifth month of declines relative to 2017, with volumes down 24.4% at 5,550t. However, this was a four-month high for export volumes. At this level, exports trailed their five-year average by 24% and were at a 14-year low for the month. Relative to UK production, exports edged up to a three-month high of 24.2% in July, although this compares with a 31.1% share in July 2017.

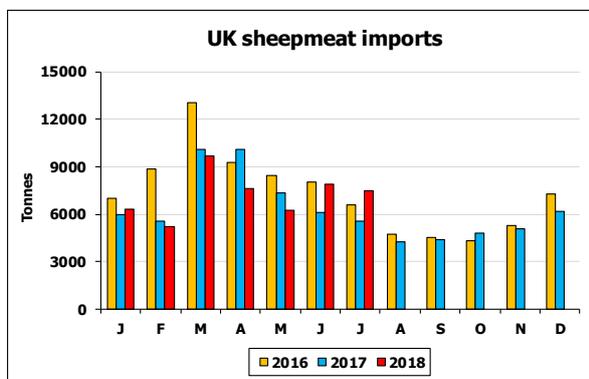
UK sheepmeat exports to the EU continued to fall heavily relative to last year in July, down 24.4% at 5,350t. While exports to France continued to build, they remained well below 2017 levels, down 21.1% at 2,550t. At 46.1% of exports to the EU, this was the highest share

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



taken by France since last November and was up 1.9 percentage points on the year. Like France, exports to Germany also rose for a third month. However, unlike France, at 1,200t, they were up by 28.6% on last year. Sales to Belgium also exceeded year earlier levels, by 3.9% at 500t, but Ireland and the Netherlands fell back relative to last year. While exports to Ireland were the third largest at 530t, trade did slump for a fifth successive month to be at its lowest of the year-to-date.

Although UK sheepmeat exports to non-EU countries were almost double their level in the previous two months, at 210t, volumes were down by more than a quarter on the year and accounted for just 3.7% of sheepmeat sales. Shipments to Hong Kong (HK) were down by almost a fifth on the same month last year at 175t, but raised their share of the monthly total to 83.9% from 77.1% in July 2017.



For the second month in a row, the UK imported more sheepmeat in July than it had in the same month of 2017. Volumes rose by 34.2% to reach a three-year high for the month of 7,500t. Furthermore, this was 7.2% ahead of the 2013-17 average – the first month to exceed its five-year average in 2018.

UK sheepmeat imports from New Zealand (NZ) grew relative to last year for a second month in July, surging by 43.2% to 5,200t.

This put imports from NZ 4.7% ahead of their five-year average for July and meant that they accounted for 69.7% of the monthly total, up 4.4 percentage points on the year. Following 21 consecutive months of being dearer than a year earlier, the average value of sheepmeat arriving from NZ fell 4.9% year-on-year to £4,760/t. Nevertheless, this was still 14.3% above the five-year average. July imports from Australia also picked up from 2017 levels, rising 5.4% to 990t; although this was down slightly on the five-year average. At £5,070/t, imports from Australia averaged 2% cheaper than last year but it was more expensive than NZ sheepmeat for the second successive month. Provisional import figures from Ireland suggest that volumes reached a five-year high for July, of 530t.

## Global Market Round Up

Defra's June census for England reported a 1.4% decline in lamb numbers. However, at 7.89m head, the lamb crop was still ahead of its five-year average by 1.4%. Comparing this number against the number of ewes intended for further breeding and slaughter, which rose by 1.3%, suggests that England's lambing percentage fell by 3.4 percentage points on 2017 to 126.6%. While this was three points below the 2013-17 average, it was 2.1 points higher than in 2013, when there had also been a harsh spring. The number of ewes intended for first-time breeding contracted by 6.5% to 1.15m head.

After a slow start to the 2018 lamb crop year, Irish abattoirs became slightly better supplied than 2017 in July, before throughput rose strongly in August. Moving into September, slaughter numbers remained above last year's levels, although the rate of growth dipped to

4.9% compared to the 17.2% increase seen in the four weeks to September 1. Weekly processing numbers eased back to average 54,560 head in September, which was 6.6% below the preceding four-weeks which had included procurement for the Eid al-Adha festival. Last year, numbers had fallen by 2.8% between the same four-week periods, reflecting a lower kill for Eid al-Adha. June census figures suggest that this year's lamb crop was down by around 3% on 2017, so the recent increases in slaughter may run out of steam later in the year.

Statistics from the French Agriculture Ministry showed a 7.1% year-on-year increase in lamb slaughterings in the three months to August, with numbers reaching 974,000 head. As well as being a four-year high for the period, it was an uplift of 2.2% on the 2013-17 average. Once a 0.3kg (1.6%) increase in the average carcass weight has been factored in, the volume of lamb produced by French abattoirs rose by 8.9% on the year to 18,100t. This was 3.6% above the five-year average.

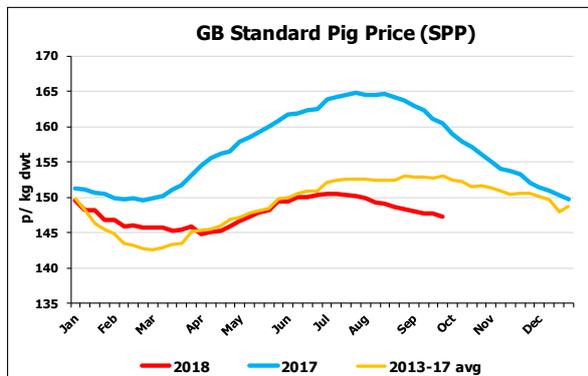
In the three months to July, there was a significant net import of 32,000 live lambs to France. By contrast, a year earlier, live exports had been slightly higher than imports. Indeed, between May and July 2018, live imports rose by 17% on last year to 68,100 head, whereas live exports contracted by 39% to 36,100 head. While domestic production and the live trade have underpinned supplies, sheepmeat imports have had some counterbalancing impact, declining by 6.3% year-on-year to 22,300t in the May to July period. Imports from the three principal suppliers declined. This shortfall was led by the UK, down 30% at 6,700t and a 30% share of French imports, compared to 40.5% a year earlier. Irish shipments also fell by more than the overall average, sliding by 18.4% to 4,400t, leaving its share three points lower at 19.9%. Imports from NZ fell by 6.7% to 3,700t, leaving its share almost unchanged at 16.8%.

Lamb throughput continued to fall seasonally at NZ abattoirs in August, with numbers slipping to 712,500 head in what is traditionally the smallest processing month of the year. For the fourth time in five months, volumes exceeded year earlier levels, rising by 3.6%. With only September left to be reported in the 2017/18 season, the kill is running 2.8% above 2016/17 levels, against Beef + Lamb NZ's initial expectation of little change. August throughput was similar to its 2013-17 average for the month and if slaughter was to also run in line with its five-year average in September, it would result in an increase of around 2.7% during the season. While drought in late 2017 pushed up slaughter and lowered carcass weights in the early part of the season, 2018 has seen adequate rainfall levels support good pasture condition, boosting lamb growth rates. As a result, carcass weights were up by an average of 0.85kg (4.2%) on the year in August at 21.2kg. This turned the 3.6% increase in slaughterings into a 7.9% increase in lamb production.

In Australia, a prolonged drought has had a considerable impact on the sheep sector. Lamb slaughter rose by 10.9% year-on-year to 6.1m head in the May to July period as farmers marketed late season lambs earlier than in previous years. However, these increases eventually resulted in a considerable decline of 19.4% in August, with supplies reportedly remaining low in September as tight feed conditions delayed the arrival of the first of the new season lambs on to the market. Meanwhile, the drought conditions have resulted in higher ewe culling this year. Having run 41% above year earlier levels in the three months to July, mature sheep slaughter then spiked in August to be 57% above year earlier levels. When combined, the rise in mature sheep slaughter offset the fall in lamb processing, leaving total sheep throughput almost unchanged on the same month last year. However, this rebalancing in slaughter during August had implications for Australia's sheepmeat exports in September. While overall volumes were down slightly on the same month of 2017 at 34,000t, lamb shipments slumped to a six-year low, and mutton volumes rose above lamb for the first time since early 2010.

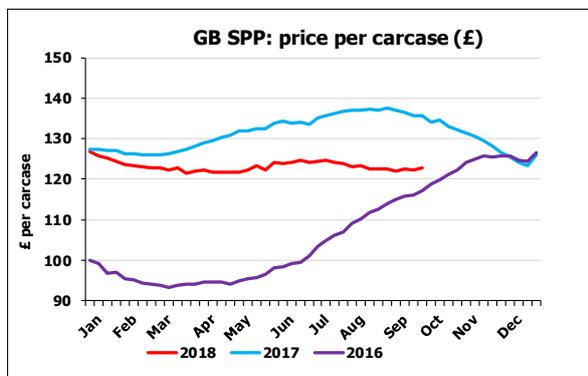
# Pigs

## Domestic Market



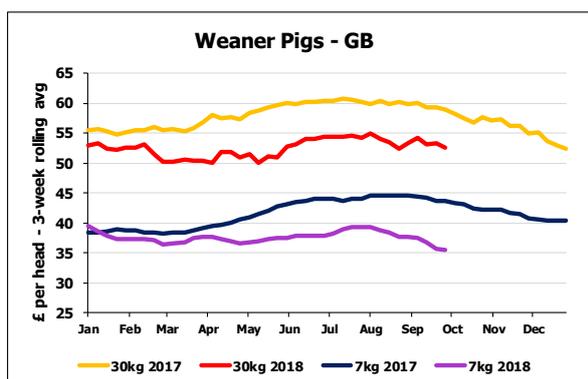
Prime pig prices continued to face downwards seasonal pressure in September. The final week of the month was the eleventh straight week in which the GB Standard Pig Price (SPP) had fallen, leaving it at 147.21p/kg dwt; 3.26p (2.2%) below its mid-July peak and a 20-week low. However, the year-on-year price differential narrowed from -9.4% in late August to end September at -8.2%, reflecting a shallower seasonal downturn this year. Following a 2.5% lift in August, price reporting

abattoirs saw a marginal uplift in weekly processing numbers in September to average 83,630 head.



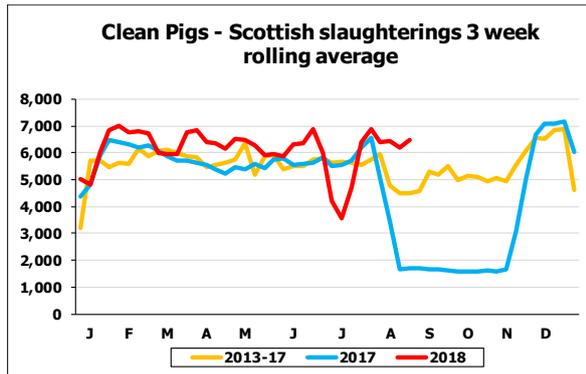
After showing the first signs of picking up in late August, carcass weights increased at price reporting abattoirs through September, with the three-week rolling average reaching 83kg for the first time in four months. Combined with rising weekly slaughter volumes, higher carcass weights will have placed downwards pressure on farmgate prices. However, on a per carcass basis, the rise in carcass weights in September was significant enough to offset the fall in per kilo prices. This saw the average

price per carcass end September at a seven-week high of £122.68. While the year-on-year decline in the price per carcass narrowed from 10.9% at the beginning of September to 9.7% at the month-end, this was a larger gap than in per kilo prices (-8.2%), reflecting that average carcass weights in the price reporting sample of abattoirs still trailed 2017 levels.



Prices for 30kg weaners continued to exhibit considerable volatility in September. However, on a three-week rolling average basis, it does appear that prices cooled seasonally in September, starting the month at £54.33 per head and ending it at £52.67. Prices paid for 7kg weaners also appear to have eased, from a three-week rolling average of £37.78 at the end of August to £35.61 in the week to September 29. As a proportion of the SPP finished carcass price, 7kg weaners

traded at 29.1% of it in the three weeks to late September, while 30kg weaners were at 43%. These proportions were down from a respective 30.8% and 43.6% at the end of August, and from 32.1% and 43.4% a year earlier.



In the second half of July, weekly prime pig throughput at Scottish abattoirs recovered, having previously been restricted by a shortage of carbon dioxide. Volumes held firm in August, averaging 6,370 head per week and totalling 31,800 head for the month. This was well above year earlier levels when processing capacity had been limited by fire damage at Brechin abattoir. Weekly throughput averaged slightly above its year-to-date level.

Throughput at E&W abattoirs posted a thirteenth successive month of year-on-year growth in August, rising 2.1%. In NI, DAERA figures point to a more modest 0.6% increase as a 0.8% fall in home produced pigs was more than offset by a 4.7% rise in imports. Imports accounted for 26.3% of slaughterings in NI, a percentage point higher than in the same month last year.

There was a seasonal increase in UK prime pig carcass weights between July and August. On average, carcasses weighed in at 82.8kg, up 0.6kg on the month. With the increase between the two months being a fraction larger last year, the year-on-year increase fell back to 0.1kg (0.2%). Carcass weights averaged 2.8% below January levels in August, compared to a 2.1% average decline over the same period in the previous five years.

Scottish abattoirs now have the capacity to handle the majority of Scottish-born sows being sent for slaughter. Following the carbon dioxide shortage, very few sows were processed in Scotland between late June and late July. Processing did however resume in the week ending August 4 and totalled 1,550 head for the month. In E&W, working-day adjusted sow throughput rose by 6.5% on last year during August.

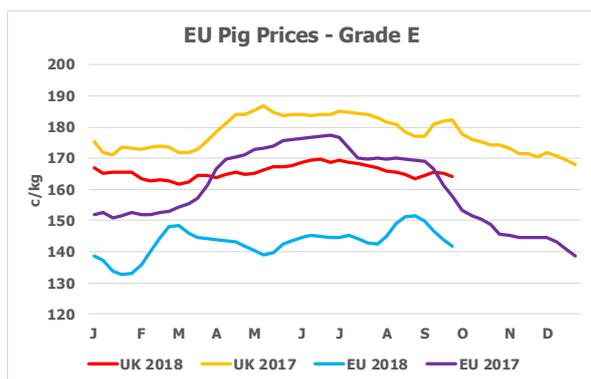
### Retail Sales (Source: Kantar Worldpanel)

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

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.

### EU Market Prices

Following a seasonal bounce around the peak European summer holiday period in August, the EU average for grade E pigs fell back again in September, closing the month at a 19-week low of €1.42/kg dwt (125p/kg). This marked a 6.5% decrease on the month and left the market

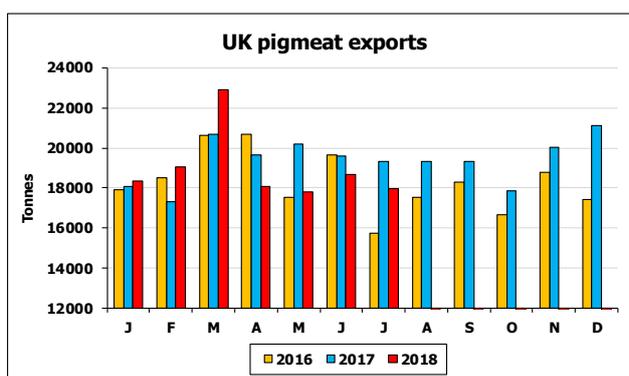


10% behind year earlier levels. A weekly price forecast for the key German market suggests that the market has cooled further in October. In sterling, the EU average decreased by 2.9% in September and traded at a year-on-year discount of 10.6%. This reflected a slight recovery in sterling during the month but that it was weaker than at the same time last year. With the UK average price proving more stable than the EU average during September, the UK premium over the EU average re-asserted

itself after falling sharply in August, widening from 7.8% at the end of August to an eight-week high of 15.7% as September drew to a close. This was almost identical to the same week last year.

EU Grade E Pig Prices in euro terms (c/kg dwt)			
	w/e 30/09/18	% change v 02/09	% change y/y
Belgium	106.2	-19.4	-22.5
Denmark	130.1	-1.7	-11.6
Germany	144.7	-9.4	-9.6
Spain	144.6	-4.8	-9.9
France	136.0	-0.7	-4.9
Netherlands	126.4	-7.8	-9.8
Poland	139.2	-9.5	-11.1
UK	164.2	+0.4	-9.9
EU	141.9	-6.5	-10.5

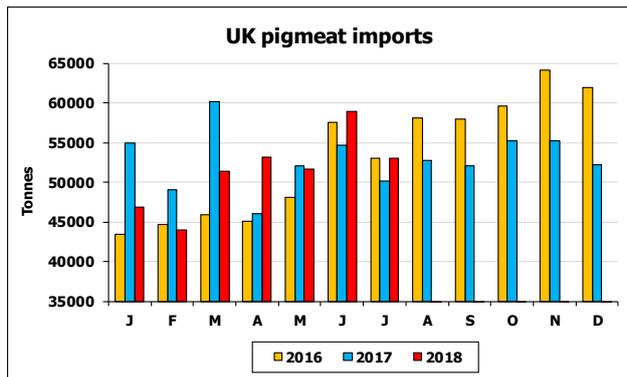
## UK Export & Import Statistics



At 18,000t in July, UK pigmeat exports trailed year earlier levels for a fourth month. However, they did still exceed their five-year average for July by 5.3%. While pork shipments contracted by 10.5% on last year to 16,200t, there was a 44.1% lift in sales of bacon & ham, which reached 1,800t. Exports are estimated to have accounted for 23.8% of UK pigmeat production in July, down 2.2 percentage points on the month, 1.1 points compared

to the year-to-date level, and by 3.3 points on the same month last year.

UK pork exports to China/Hong Kong continued to fall well short of year earlier levels in July, trailing 2017 levels by 21.2% at 3,450t. This was 21.2% of total pork exports, compared to July 2017's 24.1%. Ireland was the second largest market in July, taking 2,600t, while close to 2,500t of pork were shipped to Germany. Compared to July 2017, the former was a year-on-year increase of 6.5% while the latter was unchanged. In July 2017, Denmark had been the second largest market but exports there have been falling sharply in 2018. July was no exception, down 39.6% year-on-year at 1,800t.



Imports of pigmeat to the UK exceeded year earlier levels by 5.8% at 53,000t in July. In addition, this was 4.2% above the 2013-17 average for the month. Pork imports rose by 7.5% to 36,400t, while bacon & ham imports posted a 2.3% increase to 16,600t. This meant that pork accounted for 68.7% of pigmeat imports, up 2.5 percentage points on the month and 1.1 points on the year.

Although Denmark remained the number one supplier of pork to the UK with a 33% share of imports in July, volumes trailed year earlier levels by 10% at 12,000t. This was also a three-year low for the month. By contrast, imports from Germany surged by 63.5% on last year to reach 9,050t and a 24.8% share of the total. While imports from Belgium, Ireland and Spain rose, there was a significant decline from the Netherlands.

Following a collapse in imports of bacon & ham from Denmark in June, volumes rebounded in July to their second highest level of 2018-to-date. At 5,600t, deliveries were 14.1% above year earlier levels and took a 33.8% share of the monthly total. Having surged from 1,900t in May to 7,200t in June, imports from Germany fell back to 2,000t in July and this was a year-on-year decline of 30%. Imports from the Netherlands also fell back sharply on the month, to 7,350t, but they remained above 2017 levels by 2.7% and accounted for 44.3% of shipments.

## Feed Market

Having fallen back from their summer peak during August, feed wheat prices steadied in September at around an average of £171 in North East Scotland, before picking up again at the end of the month. As October began, spot wheat was trading at £177/t. Meanwhile, feed barley remained stable at around £170/t. Compared to a year earlier, these were more expensive by a respective 25% and 48%, with feed grain at its dearest since early summer 2013, reflecting the challenging weather conditions seen across most of the world's major grain growing regions in 2018.

Soyameal prices fell back towards the end of August, reflecting expectations of a bumper US crop this year, and have since stabilised. This left the cost of imported soyameal at around £320 as October began. Though soyameal has been trading at its lowest levels since January in recent weeks, it has still been priced 5-10% more expensive than last year.

## Global Market Round Up

Defra's June census figures for England reported a 2.2% year-on-year contraction in the sow herd, with numbers easing to 326,600 head. There was also a decline in gilts for future breeding, which fell by 1.1% to 70,700 head. By contrast, the number of fattening pigs on English farms expanded by 2.2% to reach a five-year high of 3.63m head, as numbers in the less than 20kg category rose sharply and more than offset falls of around 1% in heavier weight groups. As a consequence of these changes, there were 11.1 fattening pigs per sow, up from 10.6 in June 2017 and a five-year average of 10.5.

In the NI June 2018 census, whereas a 4.2% increase took sow numbers to 49,900 head, the number of fattening pigs fell by 2% to 582,700 head. This resulted in a fall in the number of fattening pigs per sow to 11.7 from 12.4 in June 2017.

Eurostat slaughter data shows that EU countries processed 1.5% more pigs during the May to July period of 2018 than a year earlier. Numbers reached 63.43m head. While there were increases in most of the major pigmeat producing nations, slaughter fell by 3.6% in Germany. As a result, Germany took a 21.9% share of EU slaughter, down from 23% a year earlier. With Spanish throughput climbing by 5.3%, its share of EU slaughter closed the gap to Germany, lifting to a fifth of the total, up from 19.3% in the same period of 2017. There were also above average increases in the UK (2%), Denmark (2%), the Netherlands (3%), Poland (3.7%) and Belgium (4.2%), but the French kill rose more slowly, up 1.3%. Like Germany, throughput fell in Italy, down 1.4%.

After more than two months of increases, the globally important Chinese pigmeat market has faced some downwards seasonal pressure at the beginning of 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 yuan/kg (£2.21/kg). This saw the year-on-year discount narrow from -16.6% at the beginning of Q3 to end the quarter at -2.6%. As recently as early May, this annual rate of decline had approached 26%. However, prices have eased back in early October, trading at around 19.7 yuan/kg (£2.18/kg) at the beginning of the second week of the month. In the last three years, prices fell by an average of 3.6% during October. Pork's relative price to beef, lamb and chicken changed little between late August and early October, with pork trading at just 33.6% of the wholesale beef price and 35.4% of the lamb price, but 30.4% dearer than the cost of chicken. However, it was more competitive against all three than it had been in October 2017.

Increased tariffs placed on US pork by the Chinese authorities in April continued to have a significant impact on US pork exports to China in August. Data from the US Meat Export Federation shows that volumes declined by 22% on the same month last year to 6,400t. While a stronger rate of decline than July's 12% fall, this compares with the more significant declines that had been seen in May (46%) and June (41%). Beginning on April 2, most cuts of US pork saw their tariff raised from the general 12% level faced by all exporters up to 37%, with China raising tariffs on US pork by another 25% in early July. In addition to higher tariffs, US pork is also facing increased checks at the Chinese border, adding time to the customs clearance process. Given these higher trade barriers it is perhaps surprising that trade has not fallen to a more significant degree. Within the trade data an answer to this question may be found. Taking August, the average value per tonne shipped was \$2,080/t (£1,590/t), which was well above the average export value of \$1,830/t (£1,400/t) in August 2017, suggesting that the products still being sold to China have been higher value cuts with a lower degree of price sensitivity.

**Iain Macdonald – October 2018**