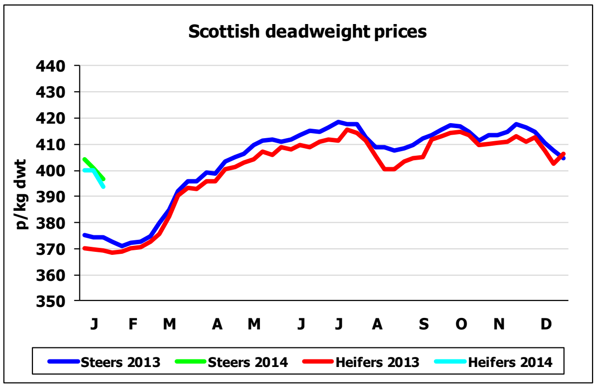
MARKET REPORT January 2014

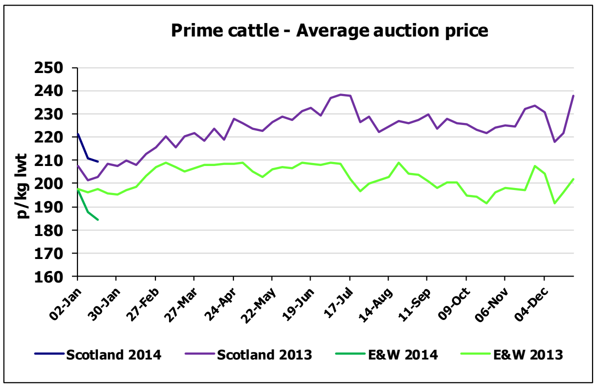
Cattle

Prices and Supplies



Deadweight prime cattle prices have been on a downwards trend since late November. Since reaching 418p/kg dwt in the week ended November 23rd, steers have fallen for 8 consecutive weeks, and during the week to January 18th they traded below £4 a kilo for the first time in nine months. Nevertheless, at 396.5p/kg dwt, steers were still 6% more expensive than in the same week last year. Numbers at price reporting abattoirs have been at their highest levels since last spring but remain lower than in January 2013.

During 2013, the average price paid by Scottish abattoirs for steers was 403p/kg dwt. This was 47p higher than in the previous year; a gain to the producer of 13%. On average, Scottish abattoirs paid around 5% more for prime cattle in 2013 than their counterparts in England and Wales.

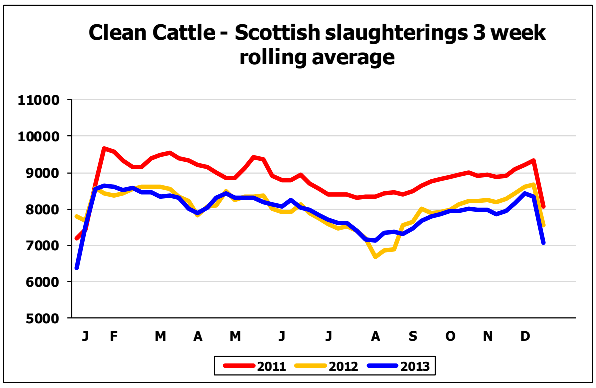


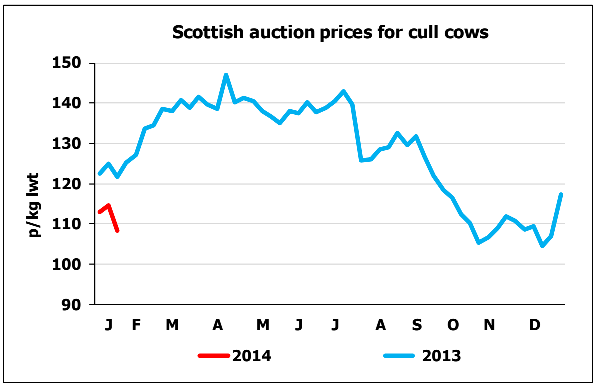
After a brief spike around Christmas due to thin trading volumes, prime cattle prices have fallen back sharply at Scottish auctions in January as supplies have normalised. Weekly numbers either side of the festive period have been their highest since May, suggesting that better supplies have placed some downwards pressure on prices. The prime cattle average slipped to 209p/kg lwt in the week to January 22nd. Although this was an 11-month low, it was 4% higher than in the same week last year. By contrast, south of the border, prices have been trading 5-6% below January 2013 levels.

At Scottish auctions, the annual average prime cattle beast sold for nearly 223p/kg lwt in 2013. This was an increase of almost 12% on the previous year.

In the final month of 2013, UK abattoirs slaughtered 1% fewer prime cattle than a year earlier. Throughput totalled 138,300 head compared with 139,800 12 months before. This means that eleven of the twelve months in 2013 showed year-on-year declines and the annual prime cattle kill subsequently fell 2% to 1.93m head; the lowest in more than 40 years. However, the average carcase weight lifted for a second month and reached a 6-month high of 340kg. Nevertheless, this was still 2kg lighter on the year. In the year as a whole, the average prime cattle carcase weighed 340.5kg compared with 347kg in 2012 and was at its lightest since 2008.

Although slaughter data showed an increased heifer kill compared to a year earlier for a ninth consecutive month, the rise was only marginal in December. However, growth in young bull slaughter volumes accelerated in December to a 2013 high of 11%. By contrast, steers remained tightly supplied with numbers falling by 5% on the year. Annually, the number of heifers slaughtered increased by 1% over 2012 to 722,600 head, while the young bull kill expanded by nearly 3.5% to 292,800 head. But, with steers in short supply throughout 2013, their annual kill was down 5.5% at 914,000 head.





At Scottish abattoirs, prime cattle supplies were relatively tighter than in the UK as a whole in December as volumes were down by 5.5% on the year. Abattoirs handled 29,600 prime cattle; 1,650 fewer than a year earlier. The heifer kill was lower on the year for the second time in three months, falling by 1.5%, while the shortage of steers intensified with numbers down by 10%. However, young bull availability was 8% better than a year before.

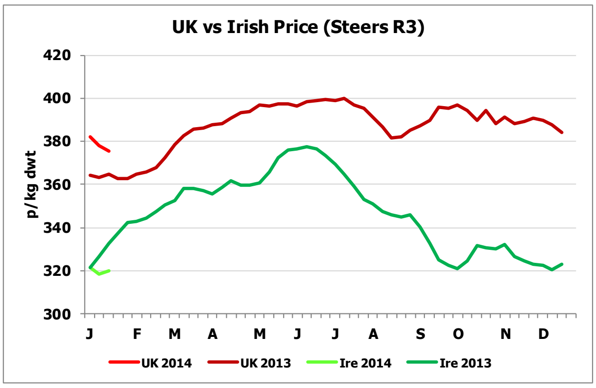
There was significant volatility in deadweight cow prices over the mid-December to mid-January period due to the thin trading volumes around Christmas and New Year. Prices initially increased sharply as volumes declined before easing back as more normal levels of cows reached the market into January. By the week ended January 18th prices had stabilised with price reporting Scottish abattoirs paying around 237p/kg dwt for a second week to secure cows. While slightly above the levels of November and early December, compared to early January 2013 it was around 12% lower. Sales through the ring showed similar price and volume trends, rising as numbers dried up over Christmas, before falling back in January. Cows traded at 108p/kg lwt in the week ended January 22; similar to November and December, but down 11% year-on-year.

December was the eighth month in succession to show lower throughput of mature cows and bulls than a year earlier at UK abattoirs. The decline narrowed from around 14% in October and November but was still more than 11%. Annual kill data showed that mature cattle slaughterings fell by more than 5% to 608,000 head. This was the second consecutive year of decline.

Scottish slaughter data for December showed a much steeper decline with the number of mature cattle falling by more than 20% year-on-year. Such a sharp drop may well reflect a more normal level of culling following the very high figure in December 2012 which was influenced by the high cost and poor availability of feed.

With supplies of prime and mature cattle continuing to prove tight, total UK beef production was down by 4% on the year in December, matching the rate of decline in the calendar year. Monthly beef production volumes of 60,600t were the second lowest of the year after August. The 4% decline in annual beef production meant that output, at 847,700t, was at its lowest level since 2006; the year that cow beef began returning to the market.

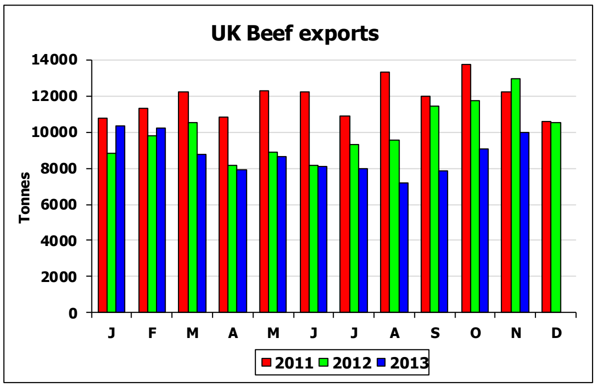
Kantar Worldpanel data for the 12 weeks to December 8th showed that GB households spent 2.5% more on beef than a year earlier. However, with the average price going up by around 9.5%, this increased spend secured 6.5% less beef. There were declines in sales volumes for all product types with mince faring best, declining by less than 3%. At the high end of the retail offering, steak sales were down by more than 6% and there was an even larger decline of 13% for premium roasting joints. In terms of manufactured products, burger sales fell 7% on the year while chilled and frozen ready meals fell by 8% and 16% respectively.



While Irish steer prices have risen by 1% on the month in euro terms they have become slightly cheaper when quoted in sterling as the pound has strengthened following positive developments in the UK unemployment rate. However, UK producer prices have fallen slightly more than those in Ireland over the past month. Most countries on the continent favour young bull production over steers. In mid-January, young bull prices were, on average, unchanged from the week prior to Christmas. However, Italian prices fell by 5% and there were slight declines in Denmark and Belgium. Producers in Spain and Germany fared better with prices rising by 1%, while Polish prices lifted by 3%.

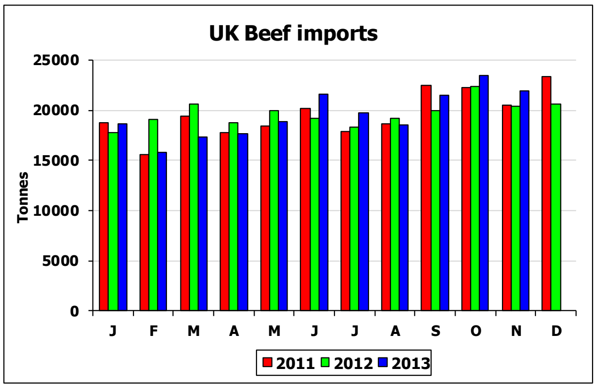
Cull cow prices fell sharply across Europe in the second half of 2013. However, over the past month there has been some slight improvement for producers with the average O3 graded cow rising in price by 2%. Holland was the main exception as prices slipped back 2% while prices have flat-lined in Belgium. Prices have moved slower than average in France and Spain and in-line with the average 2% increase in Italy and Ireland. Producers in Poland and Germany have received above average gains of 3% while they have risen by 5% in the UK.

Regional price comparison across the EU			
W/e 19/1/14	Steer R3 (p/kg dwt)	Heifer R3 (p/kg dwt)	Cow O3 (p/kg dwt)
Scotland	396.3	393.9	243.6
E & W North	374.3	375.0	241.1
E & W Central	374.7	373.7	261.0
E & W South	370.7	370.3	225.2
NI	360.2	365.8	237.9
RoI	319.9	334.4	242.5
France	330.1	351.7	274.5
Germany	336.3	314.1	230.1
Holland	n/a	212.4	212.7
Spain	n/a	344.3	191.9
Poland	n/a	255.0	208.5
Italy	n/a	355.3	219.6
EU28	343.4	336.2	235.0



November was the ninth consecutive month that UK beef exports trailed year earlier levels. Overseas sales fell by 23% from the same month last year to 9,950t; the same rate of decline as in October. Contributing factors to the decrease are likely to have included strong competition for tight supplies of home product in the domestic market and sluggish overseas demand for UK manufacturing beef which faced strong competition from cheaper suppliers. Exports accounted for 14% of total UK beef production in November 2013, down from more than 17% a year earlier.

For a second month, the UK's largest beef markets, Holland and Ireland, bought 20% and 35% less respectively than a year earlier, while volumes sold to Germany fell slightly and there were significant declines into the smaller markets of Denmark and Poland. However, Italy, France, Spain and Sweden did all increase imports from the UK. Exports to non-EU countries were again well down on the year with a 44% decline to 380t. Sales to Ghana and Switzerland halved while trade with Norway dried up. However, exports to Hong Kong rose by nearly a third.



For the fifth time in six months the UK imported more beef than a year earlier during November. Shipments totalled 21,900t; an increase of 7%. The overall increase was mainly driven by a 20% rise in imports of frozen beef; though fresh beef also increased by 3%. In turn, the overall increase can be linked to Ireland, the largest supplier of beef to the UK. While it delivered slightly less fresh beef (12,000t), imports of frozen product jumped by 60% on the year to 3,100t.

Of the other EU suppliers, more beef came to the UK from only Germany and France. The increase from Germany was for frozen beef while for France it was fresh beef that increased. By contrast, there were declines of around 10% in shipments from Holland, Poland, Belgium and Denmark; and 30-40% from Spain and Italy. These declines were largely down to reduced volumes of frozen beef. Indeed, of these six countries, only Holland and Denmark saw declines in fresh beef sales.

Imports from further afield tended to increase on the year in November. New Zealand, Brazil, Argentina, Botswana and Namibia all saw significant increases while imports from Australia were marginally higher. Uruguay was the main exception with deliveries down by 60% to less than 200t.

News Round Up

In the Irish Republic, an additional 60,500 prime cattle were slaughtered in 2013 compared to the previous year. This was a 6% growth rate. However, in the final quarter of the year, throughput growth slowed substantially to just 0.2%, and during

December, slaughterings were 0.5% behind their year earlier level. Moving into 2014, export abattoirs killed 44,200 prime cattle in the first two weeks of January compared with 40,400 in the first half of January 2013, indicating that supplies have improved again.

West Country Beef has been granted protected status with the PGI label. The label applies to beef from animals born, reared and finished on a forage-based diet in the six counties that make up the South West of England: Cornwall; Devon; Dorset; Gloucestershire; Somerset; and Wiltshire. To qualify for the PGI label the cattle must be slaughtered at an approved abattoir; but this does not have to be in the South West. Carcasses qualifying for the brand must be graded at O+ or better with a fat score of between 2 and 4H. The product can be marketed as a whole carcase, a whole side, hindquarter/forequarter or primal cuts. At farm level, the producer must have kept a feed diary to ensure that at least 70% of the diet was forage-based, while the rearing must have taken place on an extensive system with at least six months of grazing. Regional census data from 2010 placed the total cattle herd in South West England at 1.8m head; very similar to Scotland.

The World Organisation for Animal Health (OIE) has reported a positive test for BSE in Germany. A 125-month old cow from a farm near the border with Poland showed no clinical symptoms pre-slaughter and was found to have a rare form of the disease not thought to be linked to feed consumption. As a consequence, the cow's two remaining offspring still on the farm were destroyed while a further five cattle that were born on the farm one year either side of the infected cow's birth were also destroyed. Prior to the positive test the affected farm kept a total of 80 cattle.

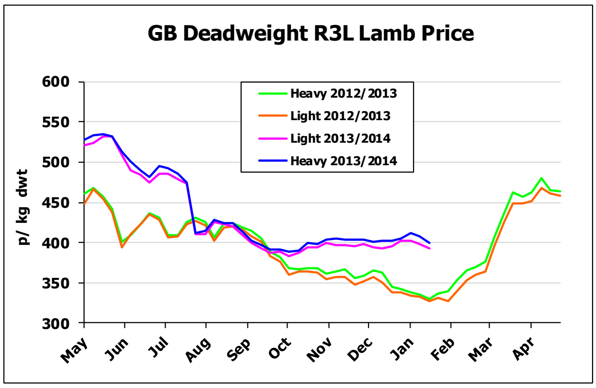
The Swedish Board of Agriculture has estimated that domestic beef consumption grew by 3.5% in 2013 to an average level of 26.4kg per person. This was an increase of around 900g and more than reversed the 700g decline in 2012. Over the past decade, beef consumption has fluctuated around 25kg to 26kg per person with a marginal upwards trend. In recent years consumption has been shifting away from manufactured products such as meat balls and burgers towards marbled steaks. Swedish consumers tend to show a high level of interest in products with known provenance and sustainable methods of production.

At the current time just 22 of the 56 Brazilian abattoirs that the Russian authorities have cleared to deliver beef have full approval with the remainder undergoing temporary restrictions. While some of these plants will not be permitted to export to Russia, others will still be able to trade but face additional monitoring. This highlights the difficulties of selling meat to Russia.

Following significant concerns for animal welfare relating to the treatment of cattle exported from Australia to Indonesia for slaughter, considerable efforts have been made in the past couple of years to improve standards in Indonesian abattoirs. Slaughter plants must now meet animal welfare standards before importing cattle from Australia and, following recent investments, it is expected that Indonesia will buy more than 700,000 Australian cattle in 2014 compared with last year's 400,000. Indonesian authorities are targeting such an increase in deliveries in order to place downwards pressure on domestic beef retail prices. With the cost of living a significant political issue in the country, the Indonesian government is to adjust the volume of beef and live cattle imports in an attempt at achieving a specific level of beef retail prices. While most cattle trade between Australia and Indonesia is in live form due to the lack of fridges in most Indonesian homes, 39,400t of beef was delivered in 2013. More than half of this total was destined for further processing.

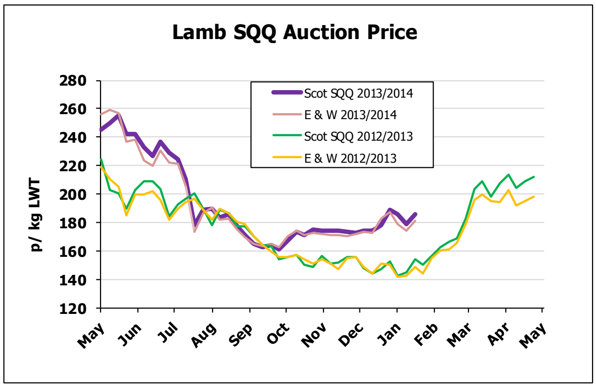
Sheep

Prices and Supplies



After holding steady at around £4 a kilo in November,, the average GB deadweight lamb price dipped back to 396p/kg in December before firming over the short kill weeks of Christmas and New Year to pass the £4 a kilo mark. As trading volumes have returned to more normal levels in January, deadweight hogg prices have slipped back, trading at just below 395p/kg dwt in the week ended January 18th. Although this was the lowest prime sheep average price since late October, it was more than 20% higher than in the same week of 2013. In recent weeks there have been higher volumes at price reporting abattoirs than last year, and with prices also considerably higher, it is indicative of strong demand.

During 2013, the GB deadweight prime sheep price averaged 412p/kg; up 11p or 2.5% on 2012.



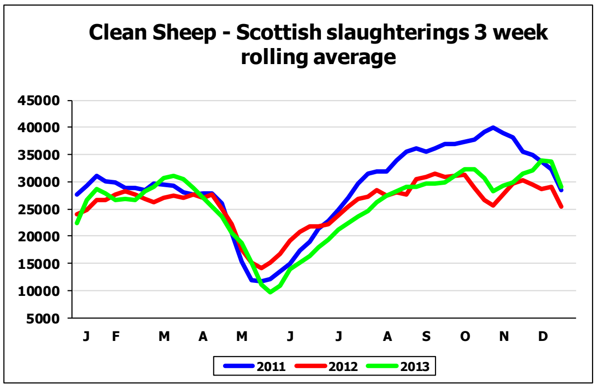
The auction trade in lambs firmed over the festive period as marketings fell sharply due to the short kill weeks and reduced number of auction sales. As more normal levels of hoggs reached the market in early January then prices eased back but remained slightly higher than their mid-October to mid-December levels. In the week ended January 22nd prices firmed once again as volumes declined. Throughout recent weeks, prices have been more than 20% higher than last year.

During 2013, the average price paid for prime sheep at Scottish auctions averaged 181p/kg lwt; 1% lower than the 2012 average of 183p/kg.

Early on in 2014, carcase quality has been slightly lower than last year with 56.5% of hoggs grading at R3L or better in the three weeks to January 18th compared with nearly 57.5% a year before. In 2013, carcase quality averaged around 1½ percentage points higher than in 2012 at 63%.

The rate of growth in UK lamb slaughterings accelerated in December to nearly 3% year-on-year from just over 1% in the previous month. Monthly throughput was almost identical to its November level of 1.083m head; going against an historic trend which has seen the December kill significantly lower than the November kill in ten of the past fifteen years. The annual lamb kill reached a 4-year high of 12.47m head and was 5% higher than in 2012.

The better growing conditions of the summer and autumn of 2013 meant that carcase weights continued to average higher than in the previous year with the December average of 18.6kg around 400g heavier. However, the legacy of bad weather left the annual average carcase weight at a 3-year low of 19kg; around 100g lighter than in 2011 and 2012.



At Scottish abattoirs, kill numbers exceeded 2012 levels throughout Q4 and finished the year with a 15.5% annual increase in December. However, this rate of growth was boosted by a very low kill in December 2012; indeed the December 2013 figure was only around 0.5% higher than two years before. A strong finish to the year was unable to offset lower supplies earlier in 2013, and the annual kill was around 0.5% lower at 1.33m head. This meant that it was around 10% lower than in 2010 and 2011.

Similar to the UK as a whole, the lambs killed by Scottish abattoirs towards the end of 2013 tended to be heavier than a year earlier. In December the average lamb carcase weighed 20.2kg compared with a December 2012 figure that fell just short of 20kg. The annual average of 19.9kg was down by around 400g on 2012.

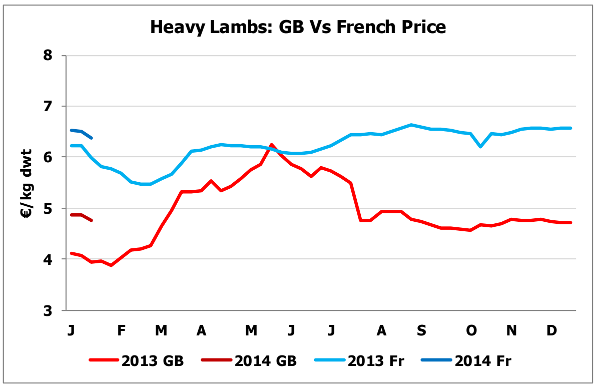
Lamb consumption in GB remained higher than a year earlier in the twelve weeks to December 8th. Consumers spent 7% more money on lamb and with prices rising by an average of 1.5%, this enabled them to purchase a 5.5% higher volume. In contrast to the overall increase, the volume retailed of leg roasts and stewing lamb declined. However, there was a near-5% rise for chops and an 11% gain for steaks and shoulder roasts. Meanwhile, mince showed the strongest growth rate of nearly a quarter. Consumers were less interested in lamb-based ready meals with sales falling by 6.5% year-on-year.

Cull ewe prices started 2014 on a firm footing lifting to a 20-week high of £52 a head in the opening week of the year. However, they then eased back for two weeks, leaving them at £46.50/head in the week ended January 22. This was roughly where they were before the festive period commenced and £2 (4%) above the same week last year.

UK abattoirs finished 2013 continuing to slaughter considerably more ewes and rams than twelve months before. The December kill totalled 172,600 head and was up 10% on the year. This was a lower growth rate than in the calendar year, which showed a 12.5% increase to 2.08m head; a 4-year high.

With both kill numbers and carcase weights of lambs and ewes higher than last year in December, the UK produced 6% more sheepmeat. Monthly production volumes totalled 24,600t, compared with 23,200t a year earlier. With production exceeding year earlier levels in eleven out of the twelve months, annual UK sheepmeat output grew nearly 5.5% to 290,100t; a four-year high.

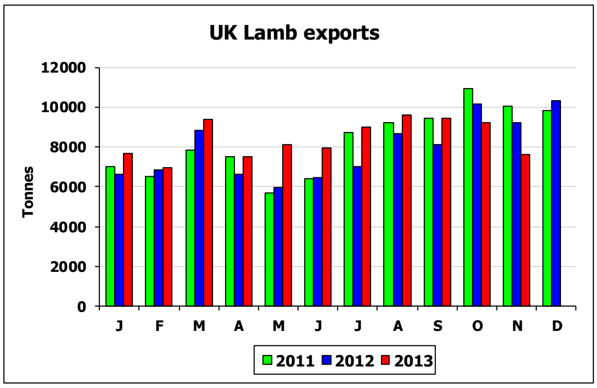
In the third week of January the average price paid for a heavy lamb in the EU was €4.84/kg dwt. This was fractionally lower than four weeks earlier but 7% higher than a year earlier. Countries to see slight price increases on the month included GB, Belgium, Holland and Denmark while Irish prices steadied. By contrast, French, German and Spanish producer prices fell 3-4% on the month. Compared with mid-January 2013, prices in Germany, Belgium and Holland are lower, but in Spain and



France they are up by 7%. Meanwhile Irish prices are 14% higher and GB prices have shown the largest increases of more than a fifth.

For light lambs, EU prices have generally shown significant declines since Christmas as demand has eased back seasonally. In Portugal and Spain, prices have slipped by around 5%, while Greek and Hungarian producers have seen prices fall closer to 10% and in Italy light lambs have become 20% cheaper. However, in Bulgaria and Slovenia the market has been steady while Croatian producers have seen prices rise 20%. Relative to a year ago the average light lamb on the continent has fallen in price by 6%. However, in Hungary and Portugal farmers have seen a small improvement.

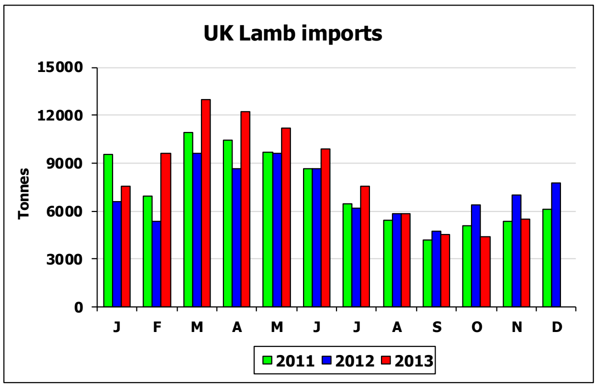
Provisional figures indicate that the UK exported 7,650t of sheepmeat in November 2013. This was down 17% year-on-year and was the second consecutive month to show a decline following a strong first three quarters of the year. Sales to EU countries fell by 22% on the year to 5,400t and this was the lowest monthly export volume since May 2012. Despite increasing significantly in November to reach their highest level in 2013 of more than 2,200t, exports to non-EU nations were 1.5% lower than twelve months before. Nevertheless, at 29%, the share of non-EU markets in total exports was up 4.5 percentage points on the year.



The volume of sheepmeat exported to France during November was down 16% year-on-year at 3,500t. However, this meant that France accounted for nearly 46% of total exports compared with around 45.5% in November 2012. Sales to most other important EU markets also fell back with Belgium, Italy, Ireland and the Netherlands all down by around 15-20%. Meanwhile, sales to Austria and Germany were 60% lower. On a brighter note for exporters, trade expanded with Denmark, Spain and Sweden; although combined exports to the three markets were only 115t.

The main reason behind the year-on-year decline in shipments outside of the EU was sharply lower sales to Norway. Whereas in November 2012 the UK had shipped 450t to Norway, the November 2013 figure was just 72t. Deliveries to Switzerland also contracted significantly, down by half to 12t. By contrast, low value deliveries to Ghana and Hong Kong held up and both set new records of 175t and 1,800t, respectively.

November was the third consecutive month that UK sheepmeat imports trailed 2012 levels. Deliveries fell by 21% to 5,500t. Nevertheless, they were still slightly higher than in 2010 or 2011. At 2,130t, the UK's trade surplus in sheepmeat narrowed by 90t relative to November 2012.



For a fourth successive month shipments from New Zealand were below year earlier levels and more costly. Monthly shipments fell 22% on the year to 3,350t and at £4,600/t, were 11% more expensive. The significant decline is likely to have been driven by New Zealand's exporters continuing to target the fast-growing Chinese market. There was also a second month of year-on-year decline in deliveries from Australia which were 1% lower. The average value fell to a 3-month low of £4,200/t and was cheaper than shipments from New Zealand for the first time since May. Nevertheless, Australian sheepmeat still averaged 19% more expensive than a year before. In terms of the smaller suppliers, volumes from Ireland, Holland, and France were lower on the year, whereas deliveries from Germany, Chile and Uruguay increased and there was a considerable rise in shipments from Spain.

Given that consumer demand was reportedly higher than a year earlier during the autumn it seems likely that weak import availability limited export opportunities as a greater proportion of home produced lamb was required for the home market. Indeed the export share of production fell by 8 percentage points year-on-year in November to 30.5%, while home produced product accounted for 76% of total domestic availability, compared with less than 68% a year earlier. These conditions allowed low value trade with Hong Kong and Ghana in products not suitable for the home market to continue, but placed considerable constraints on opportunities to sell higher value cuts into northern Europe.

News Round up

According to figures from Kantar Worldpanel, during 2013, there was a 3.5% decline in sheepmeat consumption in France. While the higher value steaks and roasts fell back by 2.5% there was an even steeper decline of 9.5% in consumption of stewing and braising lamb. Prices for the higher value lamb were marginally higher on the year at €14.14/kg (£12/kg) while the cheaper cuts averaged 3.5% more expensive than in 2012 at €9.69/kg (£8.20/kg). In a sign of challenging economic circumstances in France, other high end products such as beef steaks saw similar sales declines, whereas mince and processed products like sausages and bacon became increasingly popular.

In France, lamb slaughterings trailed year earlier levels during the autumn. Between September and November 2013, French abattoirs slaughtered a total of 789,600 lambs compared with 807,800 in the same period of 2012; a decline of nearly 2.5%. Greek slaughter numbers were also running behind 2012 levels with the latest figures showing a 15% year-on-year decline in the July to September quarter. However, numbers steadied in Germany at 245,000 head for the September to November quarter and there were increases in Ireland and Portugal. While Irish throughput rose 2.5% to 722,600 head over the period, the Portuguese lamb kill grew 15% to 122,900 head. Spanish figures for November have yet to be published on the Eurostat website, but the combined September and October 2013 lamb kill was 2.5% higher than a year earlier at 1.29m head.

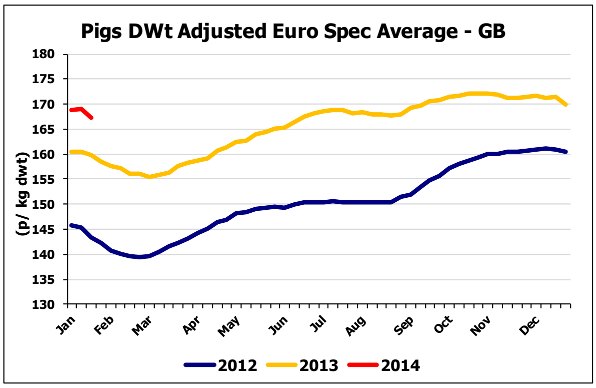
During 2013, Chinese sheepmeat imports totalled 248,900t. New Zealand continued to be the dominant supplier with sales totalling 133,300t; a 54% market share. However, despite shipments growing by nearly 90% from 2012, New Zealand saw its market share decline by 3 percentage points as overall imports doubled. The main reason was a 111% increase in imports from Australia, which grew to 106,900t and accounted for 43% of Chinese sheepmeat imports. The third largest supplier was Uruguay. However, despite quadrupling its sales year-on-year, they only amounted to 8,600t and took a 3% market share.

Australian sheepmeat exporters also saw increased demand from elsewhere in Asia. Total shipments to South Asia, excluding China, reached a record high of 55,000t. Of this total, there was a 60:40 split between mutton and lamb. For mutton, there was a doubling of sales to Malaysia and a 6-fold increase to Hong Kong. Sales to Singapore and Vietnam grew by around a third. Australian lamb was in particularly strong demand in Hong Kong and Vietnam where shipments doubled compared with 2012. Meanwhile, Taiwan and Malaysia bought 15-25% more Australian lamb. Whole carcasses accounted for nearly 40% of the total shipped volume, with most of this being mutton. Indeed, 55% of mutton shipments were in carcase form but just 10% of lamb. A further 16% of the total export volume was destined for further processing; again the majority of this was mutton.

An example of New Zealand targeting the Chinese market comes from the lamb processor, Silver Fern Farms. The company is to begin sales of premium frozen cuts of lamb to customers in the Shanghai region from March. Shanghai has been targeted as it is the wealthiest city in the country. Sales will take place through the internet and on a TV shopping channel. These sales channels come with the potential to request feedback from purchasers which will then allow Silver Fern to make adjustments to their sales strategy. Silver Fern Farms has previously traded only manufacturing product and lower value cuts with China so this marks a shift towards the higher end of the market. The product will have the same packaging as product destined for retailers in New Zealand as the Chinese shopper tends to place a high level of trust in authentic foreign brands due to a number of domestic food safety scares in recent years.

Pigs

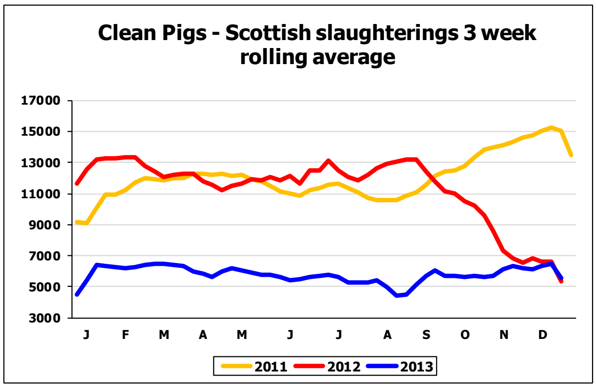
Prices and Supplies



Producer prices for pigs have followed a seasonal downwards trend early in the New Year. With consumer demand traditionally sluggish in January, it tends to place downwards pressure on the market. The GB DAPP traded at 167.3p/kg dwt in the week ended January 18th, down 4p/kg on the month but still up by 4.5% on the year. It should be noted that in the third week of the year Cranswick, a major pig processor, stopped reporting prices and the resulting adjustment in the sample may have added momentum to the weekly decline of 1.7p/kg.

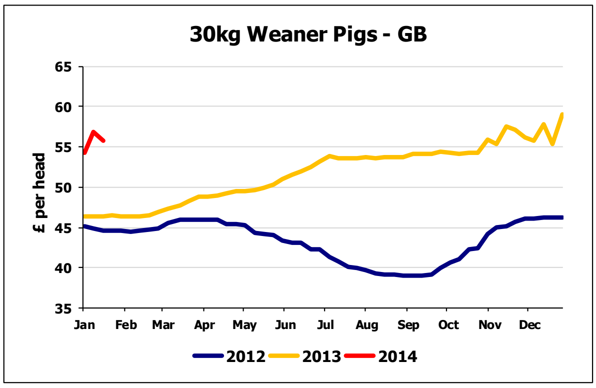
UK abattoirs slaughtered fewer clean pigs than a year earlier for a second month in December. Throughput fell 1% to 758,300. Nevertheless, in the year as a whole, slaughter numbers held just ahead of 2012 levels, rising by 12,500 head (0.1%) to 10.047m.

There was a seasonal decline in carcase weights in December, falling by 1kg to average 79.2kg, matching the annual average. The likely driver of the decrease was the short kill weeks of the festive period which meant that slaughter was brought forward to earlier in the month, meaning pigs will have been slaughtered younger, and hence lighter, than in November. However, due to favourable growing conditions and lower feed costs, the monthly average carcase weight remained 1.5kg higher than 12 months before. As a consequence, the volume of meat produced from clean pigs increased by almost 1% year-on-year to 60,000t.



The December prime pig kill at Scottish abattoirs was down by approximately 450 head on the year at 22,850. This gave a weekly average figure 1% below the annual average of 5,750 head. However, pigs were pulled forwards due to the short Christmas week and the second week of the month saw the highest slaughter of the year with throughput reaching close to 6,900 head.

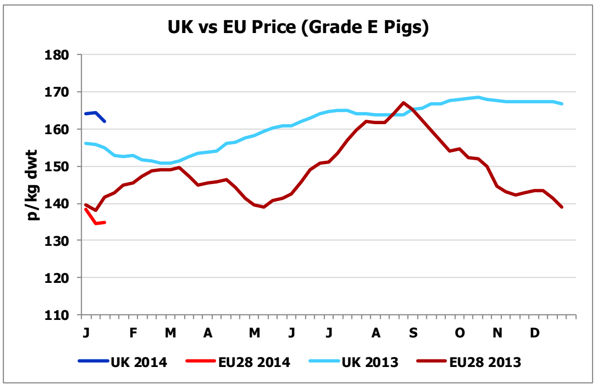
The autumn recovery in pork sales continued through November. Kantar data for the 12 weeks to December 8th showed a 5% increase in the volume retailed. This increase was helped by a slower pace of retail price inflation as prices averaged only 1% higher than in the same period of 2012. Shoulder roasts, chops and steaks proved particularly popular. However, bacon sales continued to come under pressure as consumers responded negatively to higher prices. Sales volumes subsequently fell 6% on the year.



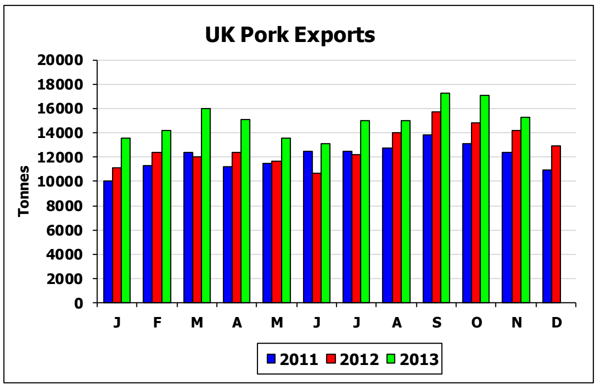
In late October the method used to calculate the GB average price for 30kg weaner pigs changed and since then there has been considerable volatility from week-to-week. In the week to January 18th prices averaged £55.70/head, down £1.15 on the week but level on the month and up by 20% on the year. Meanwhile, sales of 7 kilo weaners netted an average of £43.40/head. This was up by £1.40 on the week but prices have been relatively stable since first reported at the end of October.

Industry sources suggested that sow prices edged higher in mid-January as export opportunities improved slightly. Prices are believed to have averaged just below £1 a kilo deadweight. At this time last year prices were sliding due to weak demand on the continent, so a steady market is an improvement.

During December, the UK produced 62,500t of pigmeat. This was 0.5% higher than in the final month of 2012 as increased output from prime pigs offset a 9% decline in sow meat. Annual pigmeat production rose by 1% to 832,900t; a thirteen-year high.

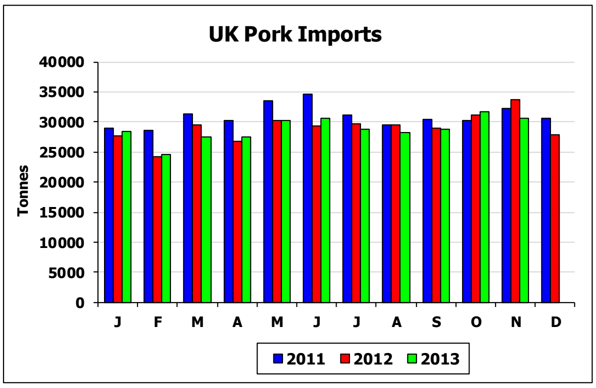


Although the average EU price for a grade E pig steadied in the week to January 19th, it had been sliding in late December and early January, leaving it 33c/kg off its peak reached in the first week of September. At €1.62/kg dwt, prices were 4.5% lower than in the corresponding week of last year. With prices falling back significantly in most of the large players, UK prices have lost competitiveness since the autumn and are currently valued around 20% above the EU average. Of the major producers, just Italy has seen a recovery in recent weeks.



The UK exported 16,100t of pigmeat during November. This was an 8.5% increase over the same month of 2012 when shipments had totalled less than 14,900t. Fresh and frozen pork exports reached a new record for November of 15,300t and were up by 7.5% year-on-year. Meanwhile, a quarter more cured product left the UK than 12 months before with deliveries rising to nearly 850t. However, this was still more than 70% lower than the November 2011 total.

While shipments to China hit a new record, this was offset by lower sales to Hong Kong. In terms of EU destinations, less pork was sent to Denmark and Germany; more to Ireland, Holland and Sweden.



Following two months of import growth, the UK bought less pigmeat from overseas than a year earlier during November. Total deliveries of 54,550t were 3% lower as rising imports of cured product (+5%) were offset by a sharp fall in fresh and frozen pork (-9%). This shift towards cured product meant that it took a 44% share of the total compared with 40% a year earlier.

The overall shift from pork to bacon and ham was reflected in trade with the UK's largest supplier of pigmeat, Denmark. Holland sent less of both types of product while the opposite was true for Germany.

News Round up

The early weeks of 2014 have seen significant downwards pressure on feed wheat and barley prices. On January 22nd, farmgate prices in the North East of Scotland were around £10 lower than in late December. Feed wheat traded for £157/t and barley was valued at £126/t, with the continued margin between the two reflecting relatively abundant barley supplies. Prices were last at these levels towards the end of September; and compared with the same time last year, they are £60/t cheaper (30%). The soyameal market has also opened the year lower with spot prices at £370/t compared with £385/t in December. Record levels of soyabean crushing in the US have led to the build-up of a surplus and prices have subsequently eased back.

Danish Crown has closed two pigmeat processing plants in Denmark, resulting in nearly 500 redundancies. The plants de-boned carcasses and produced ready meals. The closures come as part of a significant restructuring of the business, which is aiming to lower its fixed costs by removing excess capacity. Another plant closed in the summer of 2012 and cost-cutting measures are expected at another two processing plants with a further 350 job losses possible. Danish Crown offered its 6,000 workers guaranteed employment for 4 years if they accepted a 6.4% wage cut, but this was not supported in a ballot of union members.

In the first nine months of 2013 Holland exported 527,500t of pigmeat. This was a 6.5% year-on-year decline and was driven by lower sales to other EU Member States. Indeed intra-EU sales fell more than 8% to 428,500t. The largest decline was in sales to Germany which were down 15.5% to 73,500t, while the UK bought 14% less pigmeat from Holland than a year earlier with sales down to 43,200t. Sales to its largest customer, Italy, fell 6% to 90,000t. In contrast to subdued sales in the EU, Dutch processors did find increased opportunities further afield with export sales outside of the EU up 2% to 99,000t. Exports were boosted by strong demand from Russia which bought more than 20,000t compared with just 6,000t in the same period of 2012. However, shipments to Asia declined significantly.

During 2013 US abattoirs slaughtered more than 112m prime pigs. Although this was down by nearly 1% from 2012, total pigmeat production was only marginally lower as carcasses were heavier. Moving into 2014, pigmeat production is running significantly behind year earlier levels in early January. Indeed, while the US produced 533,650t in the first three weeks of the year, this was 7% lower than in the same period of 2013. Slaughter numbers were back 9% year-on-year at 5.52m head but this was partially offset by increased carcase weights, helped by lower feed costs and greater feed availability. In the Midwest regions of Iowa and southern Minnesota, the average pig weighed 128kg prior to slaughter; 2% heavier than in January 2013. Despite tight supplies, farmgate prices for pigs traded down 6.5% year-on-year in the week ended January 20th. Prices averaged \$1.70/kg dwt (£1.05/kg dwt).

A recent report from Rabobank, a Dutch Bank, highlighted the changing patterns of meat consumption in China. It found that pork consumption had fallen back from around an 80% share of total meat consumption in 1985 to 65% in 2011. In part this was down to perceptions of greater health and environmental benefits from beef and sheepmeat. However, with significant economic changes taking place, households are shifting away from using fresh meat in home-cooked meals towards processed products such as ham and sausages due to increasing pressures on their time. Increasing affluence is also leading to strengthening demand for value added products. As a consequence, while meat consumption volumes are expected to rise at an annual rate of 2%, annual sales value growth of 10% is more likely. A further point covered in the report was that due to traceability concerns, supermarkets are slowly winning market share from street stalls.

Iain Macdonald and Stuart Ashworth – January 2014