



Monthly Market Report

September 2014

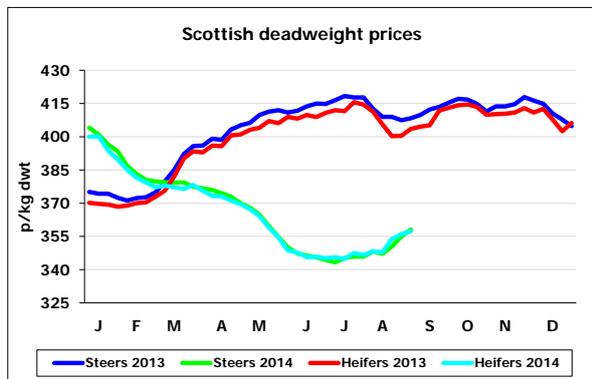
Contents

Click on the title of each section to take you to the page.

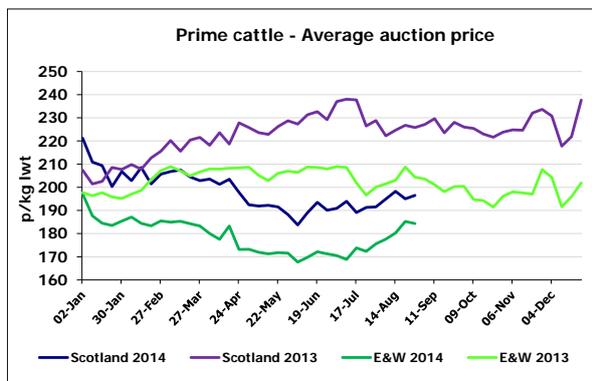
Cattle	1
Sheep	6
Pigs	11

Cattle

Prices and Supplies



Deadweight prime cattle prices closed August on a firm footing. In the week ended August 30, Scottish abattoirs paid an average of 358p/kg dwt for a steer. This was 11p above their month opening level, 15p higher than they had begun July and their highest level for 15 weeks. Nevertheless, prices remained 11-12% lower year-on-year.

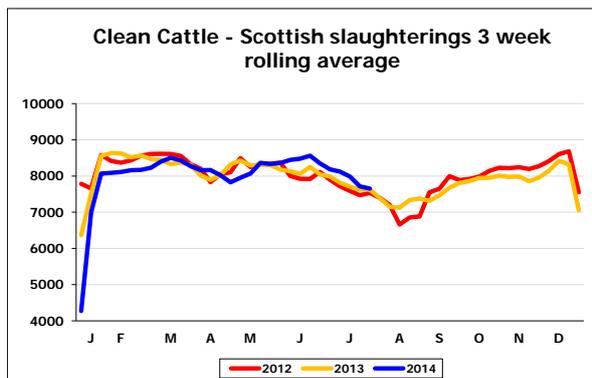


Prime cattle auction prices picked up in mid-August and then held firm through to the end of the month. The Scottish auction average varied from 195-198p/kg lwt between the week ending August 13 and the week ending September 3. Prior to this, the market had held broadly flat around the 190p/kg mark since mid-June. Despite recent increases, steers and heifers averaged 12% lower year-on-year as September began while young bulls were 16% cheaper. The premium for Scottish auction prices over the average in England & Wales narrowed to

around 6% in late August having hovered at 10-15% for much of the previous 16 months.

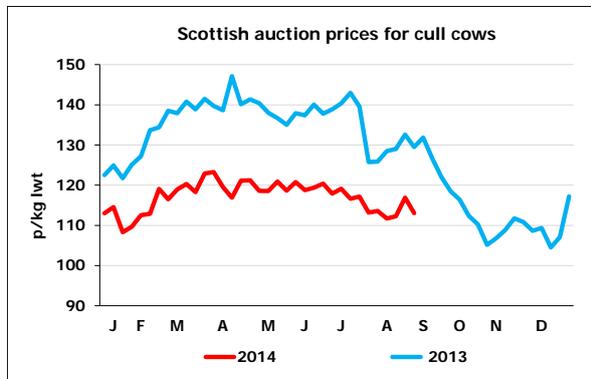
The UK prime cattle kill rose by 1.5% year-on-year in July to 177,400 head. This was the third consecutive monthly increase, having risen by 3% in May but by just 0.2% in June. For a second month, it was only the steer kill that increased relative to a year earlier. Higher supplies in England & Wales and Scotland continued to offset a sharp reduction in slaughter at Northern Irish plants. The July figures showed a seasonal decline in the weekly average kill. At 35,500 head, it slipped to its lowest level of the year so far.

The average carcase weight at UK abattoirs fell back to a four-month low of 351.5kg in July. This was largely down to a 6kg decline in steer weights compared to the previous month. Steers averaged 369kg; heifers 326kg (down 2kg); and young bulls 354kg (up 3kg). However, compared with July 2013, the average prime cattle carcase was 11.5kg heavier. Young bulls were at their heaviest since October 2009.



As noted previously, the prime cattle kill at Scottish abattoirs continued to exceed its year earlier level in July. Following a 4% increase in June, slaughterings rose at a slower pace of 1.5% in July, reaching 39,300 head. Once again it was supplies of male cattle driving the increase with the steer kill up 3.5% and young bull numbers rising by more than a fifth. By contrast, there was a 9% decline in the heifer kill.

Although the average carcase weight at Scottish abattoirs eased back by a kilo from June, at 370kg, it remained 17kg higher year-on-year. Steers averaged 390kg, heifers 339kg and young bulls 372kg. This large increase in weights converted a 1.5% rise in slaughterings into a 6.5% increase in prime beef production. At 14,500t, Scottish abattoirs accounted for 23% of the UK total.



Deadweight cull cow prices at Scottish abattoirs traded towards the top end of their 2014 range during August. Prices averaged 248p/kg during the month compared with an average of 244p/kg in the January to August period. The slight overall increase has been driven by higher prices for the better grades. In contrast to deadweight cow prices, the auction trade has cooled of late. After holding steady between February and June, prices trended lower through July and the first half of August.

There has been a slight seasonal recovery at the end of August/beginning of September, but prices remained slightly lower on the month. Compared to a year earlier, deadweight prices closed August 10% lower while auction prices were trading at a 13% discount.

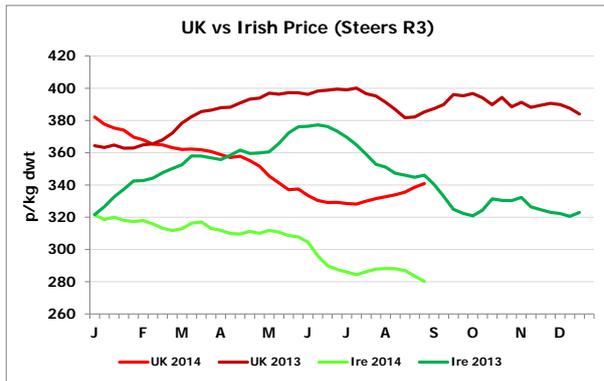
In contrast to prime cattle supplies, UK abattoirs continued to have fewer mature cattle to work with than a year earlier. Slaughter numbers declined at an annual rate of 8% to 49,600 head. This was a 5-year low for the month.

There was a considerable year-on-year decrease in the slaughter of mature cattle in Scottish plants during July. Numbers fell back by nearly one-fifth to 4,800 head. The average weekly kill was below 1,000 head for a fourth month and at its lowest level since April 2011.

The total volume of beef produced by UK abattoirs during July was 3% higher than 12 months before at 78,600t. Increased slaughter numbers and carcass weights resulted in prime beef production rising by 5% to 62,350t. However, for the first time since April, increased carcass weights were unable to offset the shorter supply of mature cattle, pulling production volumes down by 6%.

Data from Kantar Worldpanel shows that GB households bought significantly more beef than a year earlier during the 4 week period to July 20. Despite the average price rising by 3.5% to £7.90/kg, 13.5% more money was spent buying beef, pushing sales volumes up by 10% year-on-year. Despite warm, dry weather across much of the country, the best performing category was premium roasting joints which saw sales volumes rise by more than 40%. Meanwhile, there were also gains for steaks (+2.5%), lower value stewing beef (+2.5%) and mince (+8%). However, there was a reduction in sales of lower value roasts and premium stewing beef. Burger sales disappointed, falling by nearly 15%, while ready meal sales were down by 4%.

Following a brief recovery in late July, Irish producer prices returned to a downwards trend through August. From a 6-week high of €3.64/kg dwt (288p/kg dwt) in the week to July 26, the average R3 steer price fell by 1c/kg for two weeks before declining by 10c/kg over the next three weeks to finish August at €3.52/kg (280p/kg). This was its lowest level since October 2011. Compared to the same week last year, Irish prices were 13% lower in euro



terms, but 19% lower in sterling. During August, the premium for an R3 grade UK steer over an Irish steer widened from 44p/kg to 61p/kg.

Most countries on the continent favour young bull production over steers. For a second month, the average R3 grade young bull in the EU held steady at €3.60/kg dwt (287p/kg dwt). Of the major beef-

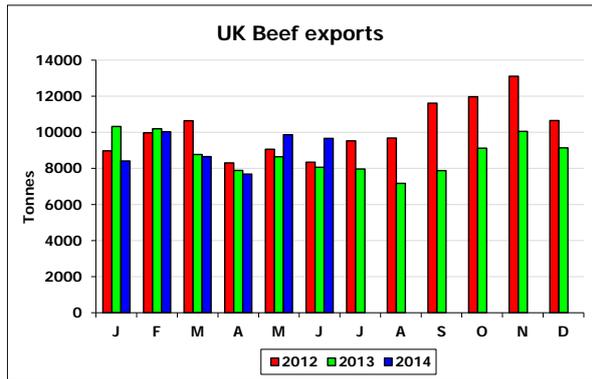
producing nations, the largest monthly increases occurred in the UK and Holland (3.5% and 4.5%). By contrast, prices fell 2-3% in Italy, Ireland and Greece. Having begun August 9% above the EU average, UK prices finished the month 13% higher.

R3 grade young bulls remained 4% lower year-on-year at the EU level. Though movement in the UK, France, Italy, Germany and Spain was closely in line with the average, Irish prices were 12% lower. By contrast, Greek, Dutch and Polish producers were paid roughly the same as 12 months before and Portuguese farmers fared best with a 3% rise.

O3 grade cull cow prices cooled by 1% on average across the EU during August. While Polish prices moved with the average, there were additional pressures in Ireland, Germany and Holland, where prices fell by 2%, 3% and 5.5%, respectively. By contrast, prices moved 3% higher in Portugal and by nearly 1% in Spain, while UK, French and Italian prices flat-lined. Compared to the same week last year, cow prices were on average 7.5% lower. However, there were considerably larger declines in Eastern Europe while UK prices were just 1.5% lower.

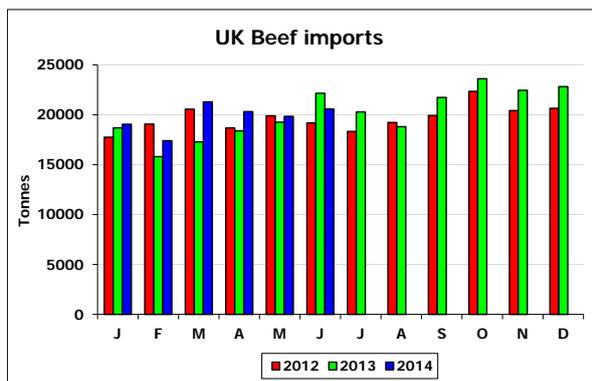
Regional price comparison across the EU			
W/e 31/08/14	Steer R3 (p/kg dwt)	Heifer R3 (p/kg dwt)	Cow O3 (p/kg dwt)
Scotland	360.1	362.0	254.9
E & W North	340.4	337.1	248.9
E & W Central	340.7	340.2	248.8
E & W South	337.6	338.8	243.5
NI	322.9	232.2	243.6
RoI	281.6	285.5	233.6
France	309.6	327.9	273.0
Germany	314.3	295.6	282.1
Holland	n/a	216.1	204.5
Spain	n/a	299.0	186.7
Poland	n/a	236.7	199.2
Italy	n/a	321.4	215.4
EU28	311.3	305.1	230.1

According to HMRC trade data, UK beef exports reached a three-year high for the month of June, totalling 9,700t. With domestic production running well in excess of year earlier levels, export growth picked up to 20% in June following a 14% gain in May. For a second month, 14.5% of domestic beef production was exported. This was two percentage points higher than a year earlier. The average value of sales came under pressure from the strong pound and was down more than 9% year-on-year at £3,450/t.



Exports into the EU rose at a slightly slower pace than the overall trade. Nevertheless, at 9,050t, they were still up by 18% on June 2013. The main driver of change was a surge in volumes to Holland (the UK's largest market). Exports to Holland increased by nearly 50% compared to 12 months before when they had fallen to an annual low. Shipments fell to most other Member States; though France and Germany were exceptions. Exports to the Irish Republic fell by 4% and, at just under 2,900t, were slightly below the volumes shipped to Holland.

Looking further afield, exports to non-EU markets exceeded the 600t mark for the first time since November 2012. This was driven largely by a jump in sales of frozen beef to Hong Kong. Exports to Hong Kong trebled year-on-year, totalling 300t. Although deliveries to Ghana were at their highest of the year-to-date (117t), they fell 25t short of June 2013 level. The volume of beef sold to Switzerland matched its year earlier level of 66t.



Beef imports to the UK reached a three-month high of 20,600t in June. However, this was the first month to show a year-on-year decline since August 2013. Indeed, deliveries fell 7% short of the June 2013 total of 22,150t. While imports of fresh beef declined by 2.5% to 14,500t, frozen deliveries were nearly 20% lower at 5,900t.

Imports from Ireland fell 3% short of their year earlier level in June, slipping to 14,400t.

This was mainly down to frozen product (down 11%) as imports of fresh beef from Ireland showed little difference. In terms of other EU suppliers, imports from Poland, Germany, Italy and Spain were down, but increased volumes arrived from Denmark, France, Holland and Belgium.

The volume of imports from outside of the EU fell by a quarter year-on-year in June to 2,600t. Botswana was the only major supplier to deliver more beef with volumes reaching an 8-month high of 400t. Imports from Australia fell sharply relative to last year as trade had been at its highest level for more than a decade in June 2013. Nevertheless, at 600t, Australia remained the largest non-EU supplier of beef to the UK.

News Round Up

Following a slowdown in the expansion of the Irish prime cattle kill in July, throughput at export abattoirs picked up markedly in August. In the 4 weeks to August 30, throughput totalled 96,100 head; a year-on-year increase of nearly 20,000 head (26%). This was well in excess of the year-to-date increase of 16% - slaughterings reached 803,000 head in the January to August period; up from 692,500 head in the same period last year. Live exports have also been higher this year. In the six weeks to August 11, the total rose by 28% year-on-year to 17,300 head. Nevertheless, with last December's census reporting fewer cattle

under 12 months of age on Irish farms, it seems likely that the upwards trend in slaughterings and live exports will begin to run out of steam in the months ahead.

Although last December's Irish census reported 1% fewer cows overall, and a 4% decline in beef cows, the cow kill at Irish export abattoirs made a fast start to the year, rising by 13% in the first quarter. Indeed, up until mid-April, slaughterings exceeded year earlier levels in every single week. However, since then, kill numbers have been lower in all but 4 weeks, and, during the month of August, cow throughput was 8.5% lower on the year at 25,900 head. Nevertheless, at 246,500 head, the year-to-date kill remained 1% ahead of last year, suggesting that the recent downwards trend is likely to continue.

During July there was a shortage of cattle in Northern Ireland with the monthly prime cattle kill down by nearly a fifth year-on-year at 22,300 head while the cow kill dropped by just over 20% to 6,700 head. This was despite exports of cattle for slaughter more than halving to 800 head and live imports of finished cattle rising 1% to 3,300 head. The overall decline in live exports was the result of a large decrease in movements to GB abattoirs (-72%) more than offsetting higher sales to plants in the Irish Republic (+32.5%). Meanwhile, although the number of finished cattle imported from GB for slaughter jumped more than 8-fold year-on-year to 850 head in July 2014, 22% fewer cattle were brought in from farms in the Irish Republic. The decline in throughput at Northern Irish plants during July was partially offset by a 9kg increase in prime cattle carcass weights to average 330kg while the average cow killed out 10 kilos heavier at 311kg.

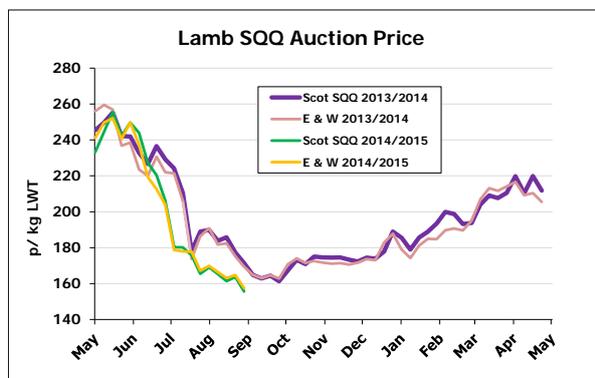
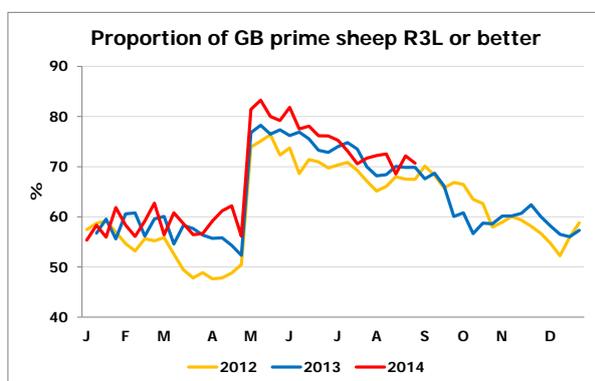
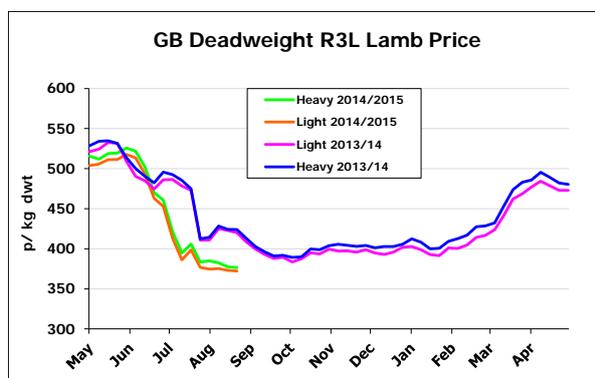
Before Russia banned imports of beef from the EU, USA, Canada, Australia and Norway at the beginning of August, it had already increased deliveries from Brazil and Argentina. Indeed, in the first third of 2014, 22% of Brazil's beef exports were sent to Russia, but this increased to 25% in May, nearly 30% in June and 32% in July. Compared with 12 months before, Brazilian exports to Russia were 78% higher at 40,900t in July. Meanwhile, Argentinean trade data shows that exports to Russia made a very slow start to 2014, falling by 39% in the opening third, before surging in May, June, and July. At 10,600t, May to July volumes were more than three times their January to April level and up 130% year-on-year. Russia became Argentina's largest market for fresh and frozen beef in May; by July it accounted for more than 36% of total shipments.

With Lithuanian beef exports being highly geared towards the Russian market, producer prices have taken a significant hit over the past month since the ban was announced. The average R3 grade young bull fell 11% on the month to stand at €2.48/kg dwt (198p/kg) in the final week of August, while O3 grade cull cows declined by a fifth to €1.93/kg (169p/kg).

The Canadian beef herd contracted in the year to July 1 2014. Numbers declined by 1% to 3.922m head. This came after two years of slight increases and meant that the herd was at its smallest since 1991. Moreover, it was 28% smaller than at its July 2005 peak of over 5.4m head. Cow numbers were lower across the country. There was also a decline in the available supply of cattle for slaughter with the number of steers back nearly 2% at 1.608m head and heifers for slaughter down just over 2% at 1.996m head. Meanwhile, the number of cattle less than one year of age also contracted, decreasing by 1.5% to 4.356m head. In addition, 3.5% fewer beef heifers were retained for future breeding as numbers fell to 616,200 head. The census therefore points to tighter Canadian beef supplies in both the near and longer-term.

Sheep

Prices and Supplies



After the heavy declines of June and July, deadweight lamb prices at GB price reporting abattoirs trended slightly lower through August. After opening the month at 383p/kg dwt, standard quality quotation (SQQ¹) prices ended August 8p/kg lower. Whereas prices for medium lambs (weighing 16-5-21.5kg dwt) fell by 9p/kg, the monthly decline for standard lambs (weighing 12-16.4kg dwt) was a slower 4p/kg. This difference may reflect a tighter supply of standard lambs; indeed they accounted for around 10% of the GB deadweight sample in the second half of August compared with 14% 12 months before.

Carcase quality continued to run higher than last year during August. 71% of SQQ lambs in the GB price reporting sample achieved an R3L or better grade compared with 69.5% in August 2013.

While deadweight lamb prices have moved slightly lower of late there has been a more significant downwards trend at Scottish auctions. In the week to September 3, the Scottish auction average for SQQ lambs fell 8p to 155.5p/kg lwt. This was 13p lower on the month (8%) and 15p lower on the year (9%). It was also a 5-year low for the beginning of September.

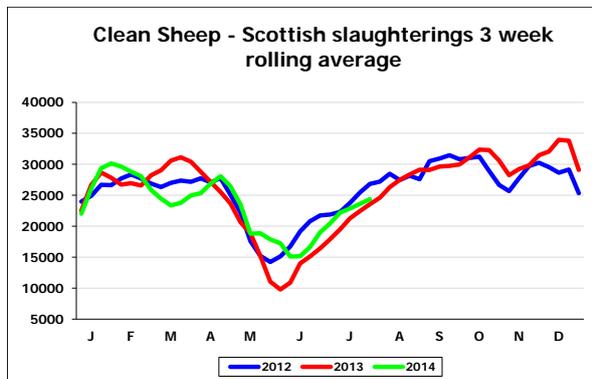
In addition to exchange rate movements, an increase in the proportion of lambs being sold out-of-spec has pressured the market. Indeed, in the week ending September 3, 20% of the total weekly volume of lambs sold through the ring in Scotland were outside of the SQQ (normal market specifications) compared with 12% in the same week last year. This may well have been an indirect consequence of producers focussing on harvesting while the weather has been good. This could help explain why Scottish prices have been trading at a discount to the average in England & Wales for 7 consecutive weeks; and why the year on year decline in Scotland has been greater (9% vs 7% over the 7 weeks). In the week ending September 3, 82% of the lambs sold at E&W auctions were SQQ. One year earlier it had been 85%.

Growth in lamb slaughterings slowed at UK abattoirs in July. Having risen by 10.5% year-on-year in May and June, kill numbers rose 6.5% in July to 1.27m head. Relative to recent

¹ SQQ: carcasses weighing between 12.5kg and 21.5kg dwt and lambs weighing 32.1-45.5kg lwt

years, the average weekly kill, at 254,100 head, was at a 3-year high for the month compared with the 6-year highs reached in May and June.

For a second successive month the average lamb carcase weight at UK abattoirs was 19.0kg. Compared with 12 months before, the average weight was up by 0.3kg. As a consequence, the volume of lamb produced by UK abattoirs increased by 8.5% year-on-year to 24,150t.



In Scotland, lamb slaughterings rose by 6% year-on-year during July, reaching 118,300 head. Nevertheless, numbers remained lower than in the same month two and three years ago. Scottish abattoirs accounted for 9.5% of UK slaughter; the same share as in July 2013. The average lamb carcase at Scottish abattoirs weighed 19.8kg. Like in the UK as a whole, the average carcase weight was 300g heavier on the year.

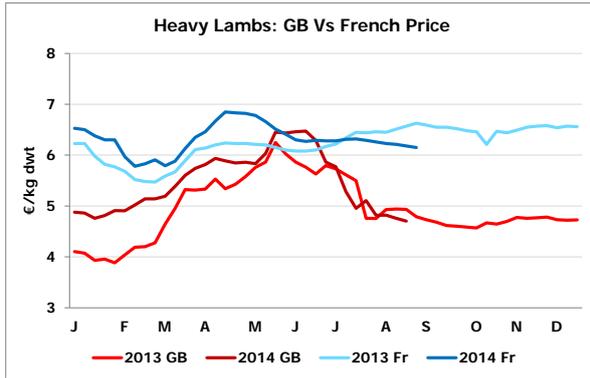
Lamb consumption continued to decline in GB according to the latest figures from Kantar Worldpanel. During the 4 weeks to July 20, expenditures were 0.5% lower year-on-year, and with prices averaging 7.5% higher at £8.80/kg, the volume retailed fell by 8%. However, this was an improvement on the previous 8 weeks; indeed, consumption was down by 18% year-on-year over the longer 12-week period. Moving back to the 4-week figures, performance varied widely across the cuts. Chops, steaks, mince and shoulder roasts were all in higher demand than a year earlier with respective increases of 3.5%, 6%, 1% and 42%. However, this was more than offset by respective declines of 7% and 30% in the volume of stewing lamb and leg roasts sold.

Cull ewe prices fell seasonally in the second half of August. However, they fell only a fraction as September began; trading at £52.50 in the week ended September 3. Though approximately £4 a head lower on the month (7.5%), this was nevertheless still nearly £5 a head higher year-on-year; a gain of 10%. With volumes picking up on both the week and year, it implies some strength in demand.

For a fifth consecutive month there was a double-digit decline in the mature sheep kill at UK abattoirs. July numbers were down 12.5% year-on-year at 170,700 head. However, the average weekly kill picked up seasonally, reaching a 5-month high of 34,100 head. With the UK ewe flock increasing last year, the much lower slaughter levels throughout 2014 suggest that further expansion has been taking place this year. Set against higher ewe numbers at GB auctions, a declining abattoir kill indicates that fewer ewes are being sold direct.

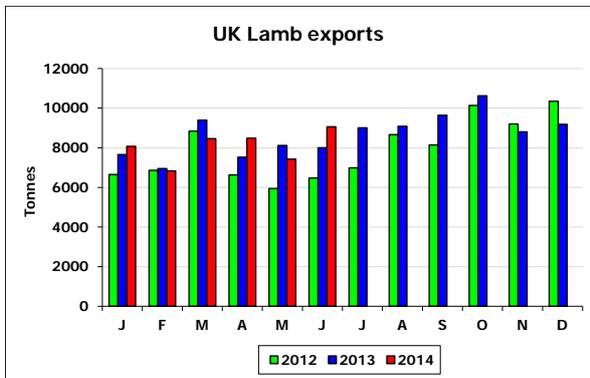
At 28,700t, monthly sheepmeat production in the UK was 5.5% higher than a year earlier in July. On a weekly basis, production was at its highest level since December. Lamb accounted for 84% of sheepmeat production; the highest level since November 2012 and a 16-year high for the month of July.

Heavy lamb prices fell across most of the EU during August. The average price fell by 2.5% to €4.78/kg dwt (380p/kg). Prices fell in line with this average in GB, France and the Irish Republic but fell by 4% in Northern Ireland. There were more significant declines of 6% in Germany and Holland; and 10% in Belgium. However, Spanish prices held firm and there were gains of around 2% in Austria and Romania.



On average the EU 28 heavy lamb price was 3% lower on the year. Prices in Ireland were slightly lower while UK prices fell by 1.5%. Spanish, Austrian and Romanian prices fell in line with the average but they traded at a 7% discount in France. By contrast, Dutch producers were paid around 1% more than a year ago and there was an 8% increase in Belgium.

In contrast to the heavy lamb trade, there was some price appreciation for light lambs during August with the EU average rising nearly 2% to €5.94/kg dwt (473p/kg). While there was a slight increase in the key Spanish market, Greek producers saw prices lift by 2.5% and there was a 5% increase in Italy. Nevertheless, the average remained 7% below its August 2013 close. This was mainly down to Greek and Spanish prices trading at significant discounts of 6% and 14% respectively.

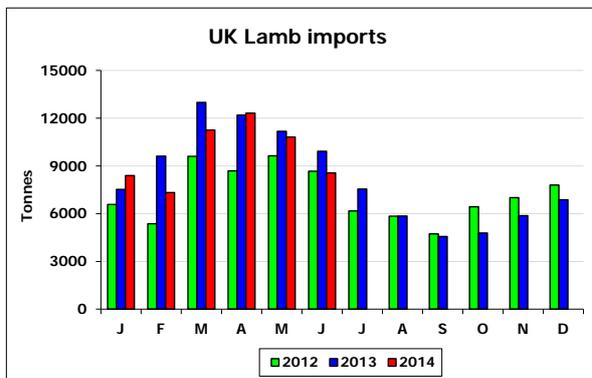


UK sheepmeat exports rebounded from a weak May to post a 13% annual increase in June. Export volumes exceeded 9,000t for the first time since December and were at their highest June level this century. 43% of domestic production was exported compared with an average level of 36.5% in the first half of the year. The overall increase was driven by a significant lift in sales to the rest of the EU, rising 17% to 7,450t; an 8-month high. However, trade with third countries

fell marginally on the year, totalling 1,700t.

Deliveries to the UK's largest market, France, grew 8.5% year-on-year to 4,300t and accounted for 47.5% of total shipments. The second largest EU market in June was Belgium and it took 950t of UK sheepmeat; an annual increase of nearly 50%. Sales to Italy and Ireland also increased but trade with Germany and Holland cooled.

Looking further afield, overall shipments to non-EU countries fell, driven by a sharp year-on-year decline in sales to Norway and a small decrease in volumes to Ghana. However, trade continued to expand with Hong Kong, rising by a quarter to 1,200t.



UK sheepmeat imports fell to a 12-year low for the month of June, slipping 14% to 8,550t. This meant that imported product accounted for around 42% of the sheepmeat on the UK market in June. Though down from 48% in the previous month and from 45% in June 2013, it was slightly above average for the first half of the year.

72% of the sheepmeat arriving in the UK during June came from New Zealand (NZ). Deliveries totalled 6,200t and were down by

more than a fifth from the same month last year. This was despite NZ slaughter numbers exceeding year earlier levels in May and June. The average value of imports from NZ increased by nearly 12% year-on-year to £4,500/t and this may have contributed to the considerable decline in deliveries. By contrast, imports from Australia continued to run well above 2013 levels in June despite being more expensive. Volumes rose by 36% on the year to 1,100t at an average value of £4,400/t (up 7.5%). Meanwhile, for a fourth consecutive month, imports from Ireland were down on a year ago. However, shipments from the smaller suppliers of Spain, France and the Falklands were above June 2013 levels.

News Round up

Two factors potentially bearing down on lamb producer prices of late are the offal and sheepskin trades. If these become less valuable then it affects the realisable value of a lamb to the processor, therefore limiting the amount of money they are willing to pay for it. One way of assessing the market is to look at the export trade in these products. In terms of offal, the export trade is relatively small; indeed, June volumes totalled just 165t. Despite the average value being 7% lower year-on-year at less than £1,500/t, sales volumes were down by two-thirds. With higher abattoir throughput, a decline in the export trade implies that a much higher volume of sheep offal was on the UK market in June, placing downwards pressure on the value of a lamb to the processor. Meanwhile, for sheepskins, the market was depressed throughout the first half of the year, with average values beginning the year much lower, before sliding even further as summer began. This meant that despite higher volumes being exported, the total sales revenue generated was still down by 20-25% year-on-year in May and June. China is the main market (71% of June volumes). Chinese manufacturing industry surveys have been weak in recent months so perhaps the sheepskin market has been affected by a downturn in the garment industry. However, it could also be that the significant increase in sheep slaughter in Australia has provided Chinese importers with a source of competitively priced sheepskins. Meat and Livestock Australia's (MLA) monthly sheepskin market report for August noted that overseas demand was weak.

During June, France imported approximately 8,500t of sheepmeat; an increase of 8.5% from the same month of 2013. Out of the total volume, 6,700t (79%) was supplied by other EU Member States. However, deliveries from EU countries grew at a much slower pace of less than 3%. The UK was the principal supplier, delivering 3,000t and accounting for 35% of the total. Since imports from the UK were only 3% higher on the year, they lost two percentage points of total market share. The second largest EU supplier was Ireland, exporting 1,900t which worked out at around 22% of French imports. Ireland also lost two percentage points of market share as deliveries rose by just 0.5% year-on-year. In terms of third countries, out of the 1,800t imported, 1,400t came from NZ while Australia provided a further 100t. Imports from NZ were up by a quarter year-on-year, capturing a 21% share of the total compared with 14% in June 2013.

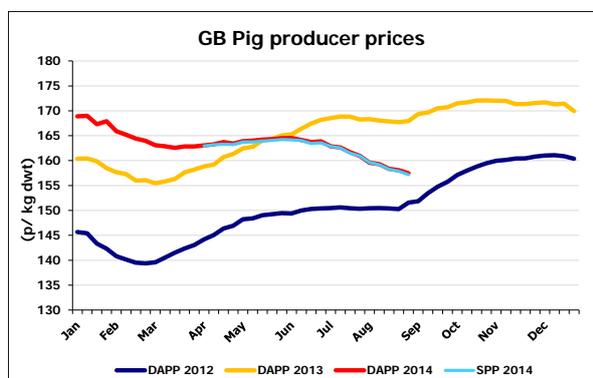
Despite considerable declines in consumption in recent years, Greece remains the largest consumer of sheepmeat per head of population in the EU28. During 2013, each Greek consumed an average of 5.8kg of sheepmeat compared with an EU28 average of just over 1kg. Despite having a large sheepmeat market, Greece is much less open to trade than other Member States. Indeed, imports accounted for just 9% of total market supplies in 2013 while less than 5% of production was exported. Greece is a minor market for UK exporters with shipments totalling just 43t in the 12 months between July 2013 and June 2014. The main suppliers of lamb to Greece last year were New Zealand, Spain, Macedonia, Romania and Bulgaria.

Beef + Lamb New Zealand have released their annual stock number survey. As of 30 June 2014, they found that the NZ ewe flock had contracted by 1.5% year-on-year to stand at just under 20m head. The decline was driven by two factors: one being the continuing shift towards dairy production on the South Island; and the other being a second year of increased ewe culling - this time due to strong mutton demand from Asia pushing up prices. However, across the bulk of the country, the combination of better weather conditions at mating and better feed supplies supported ewe condition. As a consequence, the national lambing percentage has been forecast 1.5 percentage points higher (at 122%) suggesting a similar NZ lamb crop to last year. Nevertheless, a greater proportion of the predicted 25.6m lamb crop is expected to be retained for future breeding, leaving available export supplies down 2.5% in the 2014-15 season (October 2014 to September 2015).

Australian lamb exports posted an eighth consecutive month of year-on-year growth in August with volumes rising by 10% to 17,950t. Demand from the US and EU underpinned the increase with sales to the US up nearly half at 3,500t and shipments to the EU rising by more than a third to reach 1,000t. Japan and South East Asia also bought more Australian lamb than 12 months before; deliveries rose by 4% and 7% to 700t and 900t, respectively. However, the largest export market, the Middle East, contracted by 9% to 4,900t while sales to China were 1% lower at 3,150t

Pigs

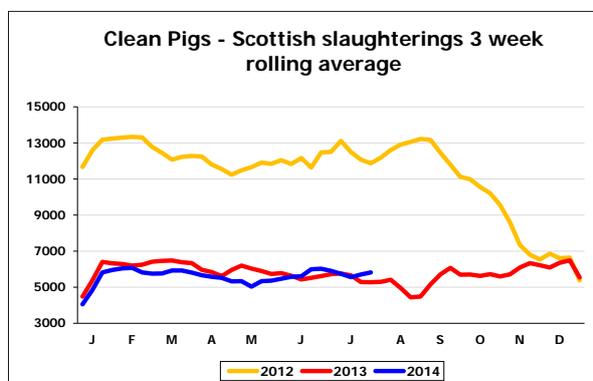
Prices and Supplies



Deadweight prime pig prices continued to cool through August. Both the GB DAPP and SPP² fell by around 2.5p/kg during the four weeks of August having declined by 3p over the previous four weeks. This left the GB DAPP at 157.5p/kg dwt in the final week of August; down 6% year-on-year. However, since late March 2013, the last time the DAPP was at this level, feed grain and soyameal costs have fallen by around 45% and 10%, respectively.

At 969,800 head in July, prime pig throughput at UK abattoirs exceeded its year earlier level by 4,900 head or 0.5%. This signalled a slower expansion of supplies than in the previous two months when numbers had risen at annual rates of 2.5% and 4%. Nevertheless, numbers still reached a 12-year high for July. Supplies continued to build seasonally, with the average weekly kill edging up to a 4-month high of 194,000 head. Throughout much of August, BPEX estimates placed GB slaughter numbers considerably higher than last year.

Although the average carcass weight at UK abattoirs declined for a seventh straight month, at 79.5kg in July, it was still more than a kilo higher on the year. As a consequence, the 0.5% increase in throughput turned into a 2% rise in UK prime pigmeat production. Volumes reached 77,100t.



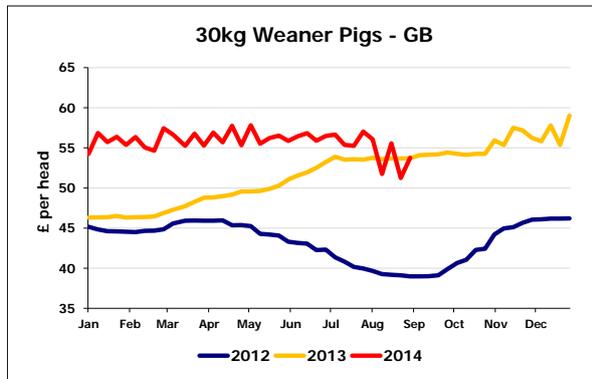
For a second consecutive month, Scottish abattoirs slaughtered more prime pigs than a year earlier. July throughput totalled 28,550 head. Although the average weekly kill dropped by 300 head from June to 5,700, supplies picked up as July progressed, exceeding 6,000 head in the final week of the month.

GB household consumption data from Kantar Worldpanel indicates that pork sales volumes increased in the 12 weeks to July 20. This marks a turnaround from earlier in the year when volume sales had been holding below 2013 levels. The boost to sales came despite GB households spending less money buying pork as the average price was nearly 4% lower on the year. This change in the average price is partly a reflection of a shift in consumption patterns away from chops and steaks, which were more expensive to buy than last year,

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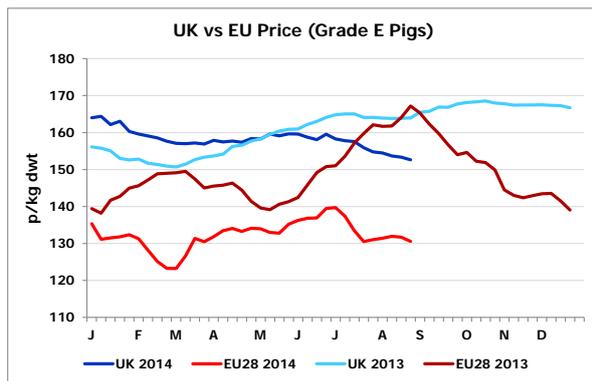
² The SPP (Standard Pig Price) is based on a sample of standard pigs killed at GB abattoirs. Standard pigs are defined as those where no explicit premium is paid for a specific attribute other than weight and grade. Examples of specific attributes would include organic production systems and breeds. The SPP price is taken before deductions for transport, insurance and levy and does not include bonus payments. The DAPP will no longer be published from the beginning of October and QMS will thereafter quote the SPP to reflect developments in the market for prime pigs. As can be seen in the pricing chart, it has closely matched the DAPP ever since it was first calibrated at the beginning of April. The SPP sample has generally been around 30-40% larger than the DAPP sample.

towards mince and roasting joints, which were more commonly sold on promotion. There was also a slight rise in the volume of bacon sold to GB households in the 12 weeks to July 20. Sales volumes rose by 0.5% as higher prices partially offset a 2% rise in expenditure. However, purchases of ham were more subdued with higher prices pushing consumption volumes 0.5% lower.



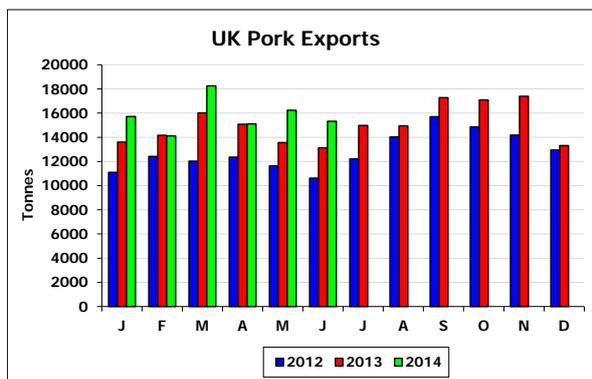
After trending broadly flat for 9 months at between £55 and £57 a head, weaner prices declined during August, trading between £51 and £55 a head. As a consequence they fell behind year earlier levels for the first time since the end of September 2012. Meanwhile, the 7kg weaner market cooled for a second month, with prices averaging around £38-£39 a head in August compared with over £40 in July and £41-42 in June.

Pigmeat production at UK abattoirs during July exceeded its year earlier volume by 1.5%. Although the volume of sow meat produced fell by 7%, it did not fully offset the 2% expansion of prime production. Overall output totalled 80,400t; 96% of which came from prime pigs.



After declining sharply through July, EU prime pig prices held relatively steady through August. Having opened the month at around €1.65/kg dwt, the average Grade E price edged up in the first half of the month before slipping back to €1.64/kg as August drew to a close. In terms of the key markets, prices edged lower in France, Holland, Poland and Spain; flat-lined in Denmark; but picked up slightly in Germany. UK prices therefore regained some competitiveness as prices slipped by 3.5c/kg during the month to €1.92/kg dwt (152p/kg).

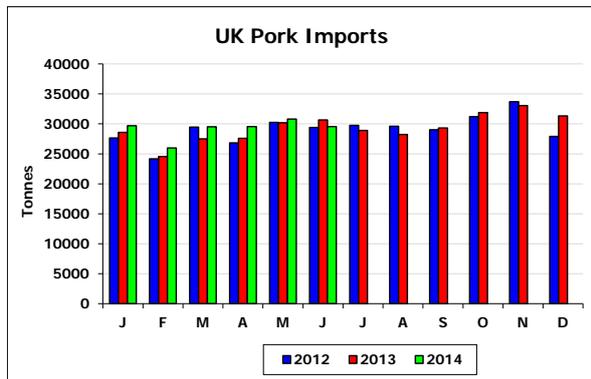
In 2013, the EU pig market had peaked in the final week of August at €1.95/kg dwt; 16% higher than its August 2014-ending level. Most of the large pig producing nations have seen declines of 15-20% over the past year. However, UK prices are flat when looked at in euro terms; highlighting the loss in competitiveness. Furthermore, when converted into sterling, the average decline for EU prices moves to 22%.



For a second successive month, UK pigmeat exports exceeded year earlier levels by 16%. Overall volumes reached 16,750t with pork shipments up 17% at 15,300t and bacon & ham shipments up 14.5% at 1,400t.

In terms of pork sales, exports to Denmark and Hong Kong led the way, rising by approximately 60% year-on-year. There was also a 13% increase in shipments to Holland while the Chinese and Irish markets

were up by 5% and 7% respectively. By contrast, the largest market for UK pork in the first half of the year, Germany, took 12% less in June 2014 than in the same month last year.



Although the UK imported 3.5% less pork than a year earlier during June, 11% more bacon & ham was brought into the country, meaning that overall pigmeat imports rose by 2%. Deliveries totalled 50,400t; a three-year high for the month. Bacon & ham accounted for 41.5% of total deliveries compared with less than 38% in June 2013.

Pork imports were driven lower by a one-third decline in shipments from Denmark and smaller decreases in imports from Germany and Holland; the UK's largest suppliers. These declines were partially offset by increased trade with Spain, France, Belgium and Ireland.

Though less pork came into the UK during July from Denmark and Germany, significantly higher volumes of bacon & ham were delivered. A quarter more came from Denmark and 12.5% more from Germany. However, there was a slight fall in imports from Holland.

News Round up

Having slid through August, ex-farm feed wheat prices in North East Scotland then picked up as September began, trading up £6/t on the week at £116/t on September 3. By contrast, feed barley fell back £5/t to a 4-week low of £93/t. Higher wheat prices may well be linked to signs of an escalation of the unrest in eastern Ukraine. Nevertheless, with the International Grains Council revising up its forecast for 2014/15 global wheat production, the market remains well below year earlier levels of £158/t for wheat and £128/t for barley. Prices in the EU have been held down by higher production but lower exports. Meanwhile, soyameal prices steadied in late August/early September having risen for five weeks from their mid-July low. Hi-pro soyameal traded at £340/t in the week ended August 30; up £30/t from 6 weeks before but nevertheless down £77/t year-on-year. At the global level, downwards supply-side pressure has been offset by rising Chinese imports.

Vietnam recently opened its market to Irish pork. 5 Irish abattoirs and a cutting plant have been granted access for fresh and frozen pork. During August, the Philippines also agreed to permit pork imports from 39 pig processing plants in the Irish Republic. In the first five months of 2014, EU28 pork exports to both countries grew considerably year-on-year. Deliveries to the Philippines increased by 68% to 28,800t while exports to Vietnam quadrupled to 1,250t. These markets are relatively low value with the average value per tonne around €1,350 (£1,080) to the Philippines and €875 (£700) to Vietnam. This indicates that Irish processors will use these new outlets to achieve a greater balance of the carcass, by selling products that are less valued by European consumers.

The Danish pig census for July showed an expansion in the sow herd. Numbers increased by 17,000 head on the quarter and by 15,000 head on the year to 1.043m; gains of 1.5%. Looking forward, the data suggests further increases in the sow herd with slight quarterly and annual increases in the number of gilts retained for future breeding to 195,000 head from 193,000. A consequence of the larger sow herd was more piglets; numbers stood at 2.595m head at the beginning of July, compared with 2.551m in April and 2.491m in July 2013. This works out at a quarterly increase of just over 1.5% and an annual increase of

4%. There was also an increase in the number of weaner pigs on Danish farms. Numbers were up 3% on both the quarter and year at 5.519m head. However, there were fewer slaughter pigs on the ground with numbers slipping by 1% on the quarter and by 2% year-on-year to 3.095m head. With more weaners but fewer slaughter pigs, it suggests that live exports have been falling back over the past year.

In the final week of August, Canadian abattoirs slaughtered 387,100 prime pigs; 1% lower year-on-year. This compares favourably with the January to August period, during which abattoir throughput was 2.5% lower at 12.5m head. Though slaughter numbers were down, production volumes increased as much lower feed costs encouraged producers to add weight. Indeed, the average carcass weighed 99kg compared with around 95kg in the same period of 2013. Consequently, total pork production rose by just over 1% in the first 8 months of 2014, reaching 1.24m tonnes.

Although US pig producer prices increased by 3% in the first week of September to trade up 7% year-on-year, this came after significant declines through much of July and August. Indeed, at the end of August, prices had fallen to a 6-month low of \$2.02/kg dwt (122p/kg dwt), having recently peaked at \$2.86/kg (167p/kg) in the week ending July 12. This meant that prices had fallen by 27% in just 7 weeks. In addition to weaker seasonal demand, the change in the market appears to have been driven by supplies turning out to be better than feared. Back in the spring, market analysts had been forecasting that US pig production could be down by as much as 10-15% due to the major outbreak of Porcine Epidemic Diarrhoea virus (PEDv). However, in the year-to-date slaughterings are down by a much lower 5% at 70.71m head. Moreover, heavier carcasses have meant that pork production is just 1.5% lower at 6.865m tonnes. However, at the beginning of September, respective weekly declines of 10% and 6.5% in slaughterings and production saw prices move higher once again.

Iain Macdonald and Stuart Ashworth – September 2014

QMS