

## **MARKET REPORT - July 2020**

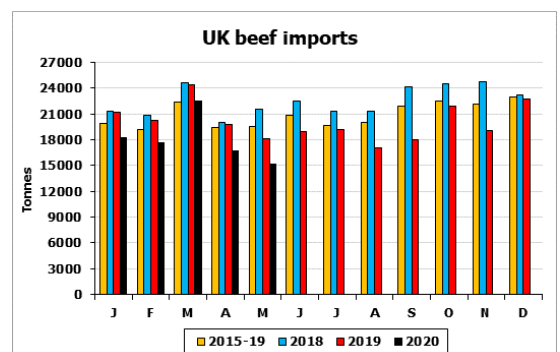
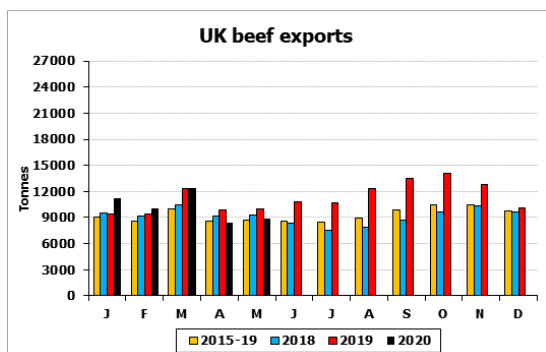
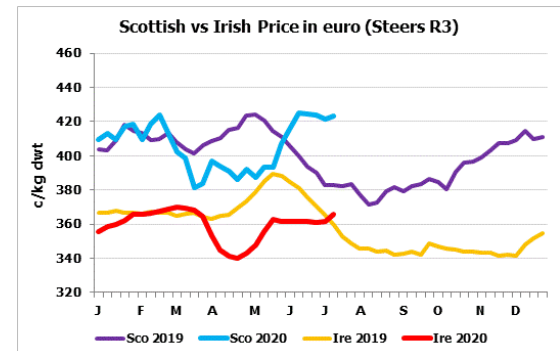
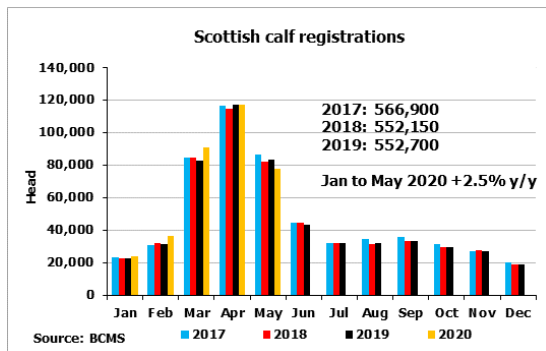
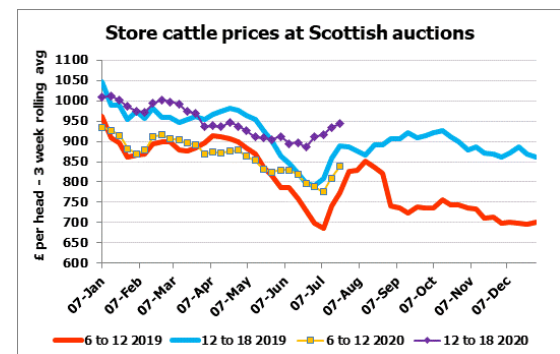
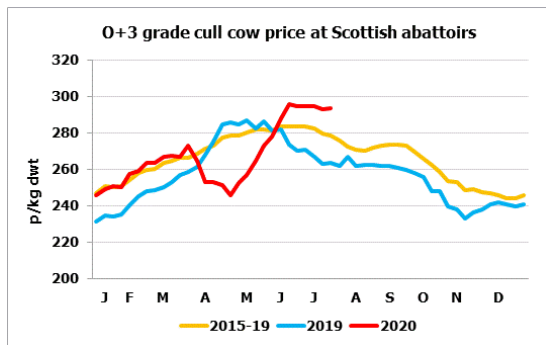
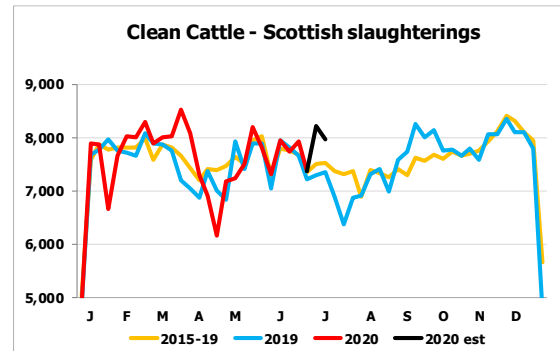
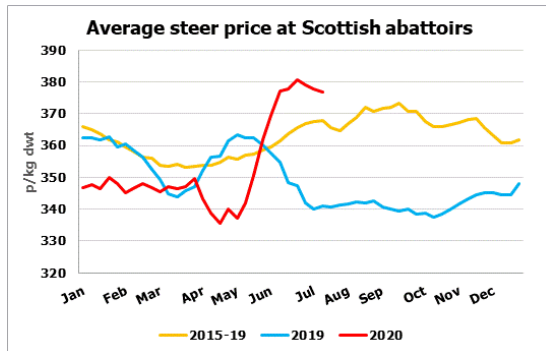


### ***Cattle Update***

- Prime cattle prices climbed steeply through May and June to reach around 380 p/kg dwt in late June and increase of 13.5% since late April. In early July though prices cooled slightly. Nevertheless, by mid-July prices were 10-12% higher than a year ago with the average steer price at 377.7p
- Prices firmed despite and increased prime cattle kill across the UK in June. However, the kill had been lower through April and May possibly as a consequence of Covid-19 operating restrictions and as a result the kill over the past three months was 1.5% lower than in 2019.
- Average carcase weights through June were some 0.75% lower than twelve months earlier reversing a trend that had seen heavier carcasses weights through the first third of 2020.
- Over the first half of 2020 prime cattle slaughter numbers in the UK have fallen by almost 1% but within this total the volume of prime heifers slaughtered increased by 4.5%.
- Prime cattle prices also moved higher in England and Wales through May and June but typically the average price for prime cattle in Scotland remained some 6% higher than in England and Wales and the premium paid for R4L grades was 4%.
- At Scottish abattoirs, -U4L steers continue to trade at a discount to R4L steers in contrast to the premium paid for -U4L heifers when compared to R4L heifers.
- Cull cow slaughterings across the UK were much higher in June 2020 than June 2019 as volumes recovered from the lower slaughter volumes of April and May. Over the first six months of 2020 UK slaughterings of cows have been little changed from 2019. Nevertheless, producer prices firmed through the first three weeks of June before dipping in the last week of June and then holding steady through the first half of July to a point where they are 9% firmer than a year ago.
- HMRC trade data shows a continuing decline in UK beef imports relative to year earlier levels in May. Imports in both April and May were down some 15% on year earlier levels. Irish deliveries during May were down 11% but they still accounted for 80% of imports.
- UK exports were also lower during May, by 11% on the year. Estimates of beef domestic beef production put UK beef production 10,000 tonnes lower than a year ago. Net trade movements suggest a reduction in net imports of 1,800 tonnes. The consequence of these two factors would be a reduced overall supply of beef on the UK market which will have contributed to a firming of price during May and into June
- Retail sales of beef remained firm through May and into June, however as lockdown measures began to be eased and fast food outlets began to re-open then retail shop sales began to ease. Year on year growth in retail beef sales is estimated to have cooled to around 10% in late June compared to year on year growth rates of up to 20% a month earlier. Nevertheless, with limited opportunity for, or interest in, overseas holidays domestic demand will remain firm and underpin producer prices

- The volume of prime cattle reaching Irish abattoirs rose steeply during June as abattoirs came fully back on stream following Covid-19 disruptions. The weekly prime kill in Ireland during May averaged some 3,000 head lower than a year earlier. The weekly kill during June climbed some 4,000 head from May and put the kill ahead of year earlier levels. However by mid-July the weekly kill had fallen back to similar levels to last year. With higher volumes killed during June the Irish prime cattle price remained flat for much of June but has started to climb during July as numbers tightened. By the second week of July the price had edged ahead of year earlier levels by around 1.5% to stand at €3.66 per kg dwt for steers; approximately £3.30 or 12.5% lower than the Scottish average price in the same week.
- In general EU producers have seen some modest increase in farm gate prices over the past month with the exception of Germany and Poland who report falls. Equally most member states show prices slightly ahead of year earlier levels, typically be around 1.7% although Italy and Spain are still recording prices lower than last year. These modest year on year price increases contrast sharply with the significant year on year increase seen in the UK a consequence that leaves only Sweden as an EU member state with a price higher than the UK.
- In the USA, slaughter volumes continue to rebalance following the disruption created by plant closures as a consequence of Covid-19 outbreaks amongst workers. Slaughter volumes have returned to similar levels to a year ago and producer prices which had climbed steeply through May have lost all the gain and are showing some stability in recent weeks at the level seen in late April and early May and some 14% lower than July last year.
- Store cattle prices have strengthened seasonally during June and into July although volumes marketed remain seasonally low. Having been similar or lower than year earlier levels for much of the first half of 2020 store cattle prices have moved ahead of year earlier levels through June and into July to stand currently around £50 per head (6-7%) higher than a year ago.
- At £800 in June the average 6-12-month store steer was 55% of the finished steer carcase price at Scottish abattoirs (£1,440), while 12-18 month steers averaged 62.5% of this, clearing at £900.

# Cattle Charts



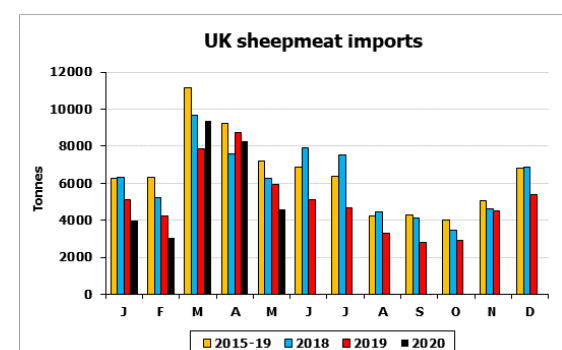
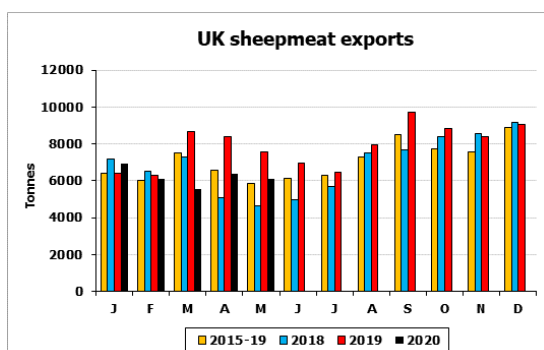
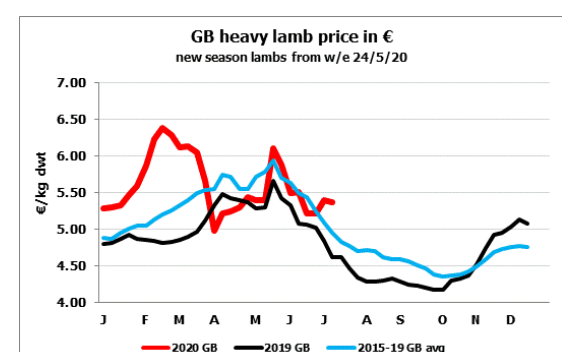
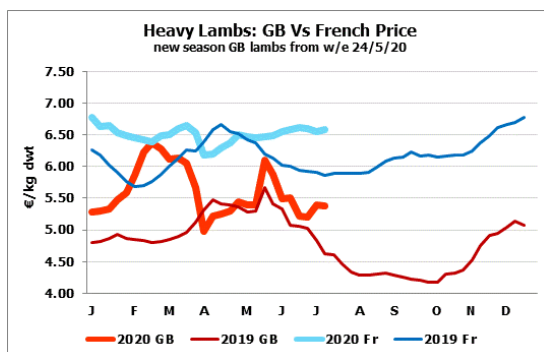
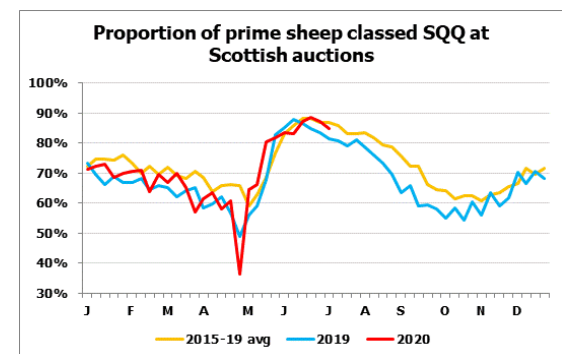
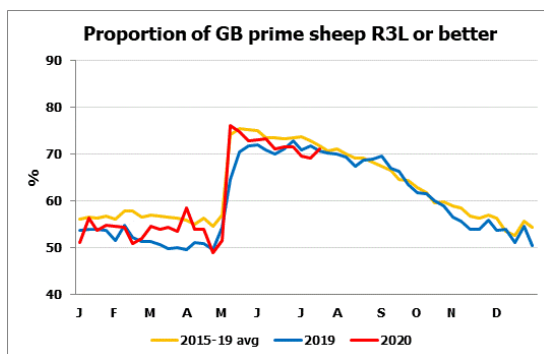
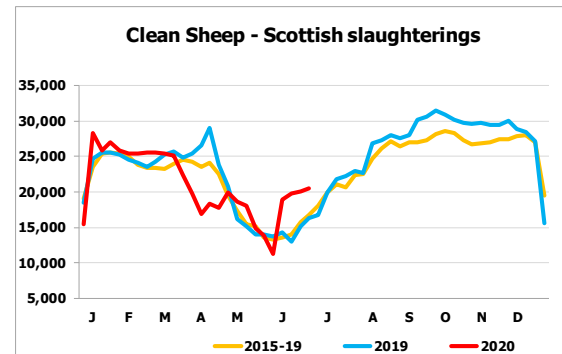
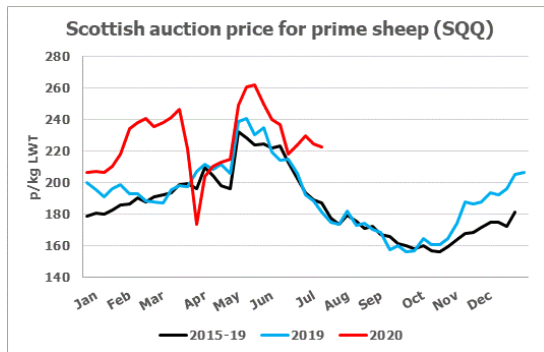
## ***Sheep Update***

- New season lamb prices have been particularly firm through June despite following the seasonal pattern of falling steeply as volumes pick up, although a small spike occurred in the run up to the Moslem festival of Eid al-Adha. The number of lambs reaching the market has built quickly and auction volumes are currently 25- 30% higher than in the same period last year. Nevertheless, despite higher numbers producers are seeing prices some 22% higher than a year ago.
- UK slaughter statistics confirm this increased supply through June with slaughter volumes 8.8% higher than June 2019. Auction market throughputs do not suggest a long tail of old season lambs reaching the market as a consequence of disruptions during April and May but much quicker build-up of new season lambs. Carcase weights during June were slightly lower than in 2019 consistent with a higher proportion of lambs falling within the Standard Quality Quotation (SQQ) weight range at auction markets during June.
- Cull ewe slaughterings which had been particularly low during May recovered through June to reach similar levels to last year. Prices have remained stable through late June and into July and are currently around £6 per head higher than a year ago.
- Retail sales of sheepmeat have benefited from the growth in retail demand during the Covid-19 pandemic and the closure of out of home catering establishments. Growth of 10-20% year on year in the volume of lamb sold by high street butchers and multiple retailers has been seen through May and the first half of June with even stronger growth in late June.
- Recently updated trade data from UK customs returns show sheepmeat imports to have been lower than in 2019 for both April and May. Although subject to revision, May imports of sheepmeat were at their lowest in the past 20 years. New Zealand remains the biggest supplier at three-quarters of all deliveries in May but have delivered considerably less than they did in April and 12% less than they delivered in May 2019. Latest indications from Beef and Lamb New Zealand are that there was a small year on year increase in deliveries to the UK in June but still at levels well below the five year average.
- UK exports were recorded to be lower than 2019 levels in both April and May but remained above 2018 levels. Lower abattoir production in May meant that, despite falling, exports amounted to 33% of production in 2020 compared to 30% of production in 2019. Furthermore, because of the decline in imports and production the volume of sheepmeat on the home market during May fell by around 25%.
- Although France remains the most important export destination compared to a year ago deliveries there during May fell sharply as did deliveries to Belgium and Germany and it was growth in sales to Ireland and outside of the EU that helped to offset some of the year on year fall in exports.
- Farmgate prices for prime lamb are firm across all the major producing nations of the EU. French prices are 12% higher than a year ago for heavy lambs while Ireland reports an increase of 16%, Romania a 20% increase and Spain an increase of more than 25%. Italy who produce light lambs report an increase of 10% year on year.

When reported in Euro the GB price is 8% below the European Union average and below prices in Germany and France although more expensive than Irish lamb.

- Wholesale lamb prices at the Rungis market in Paris have flat lined over the past 3 to 4 weeks with French lamb carcasses are trading at a premium of €1-2/kg over imports.

# Sheep Charts



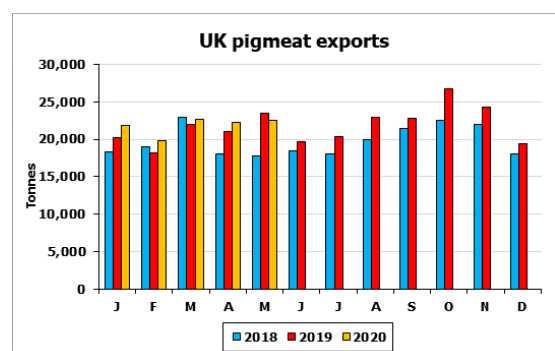
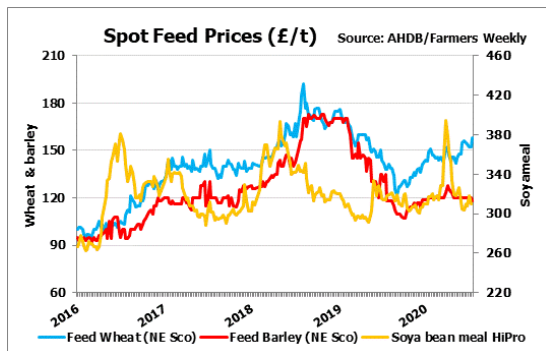
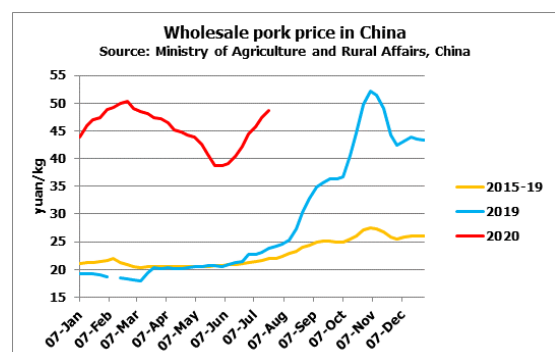
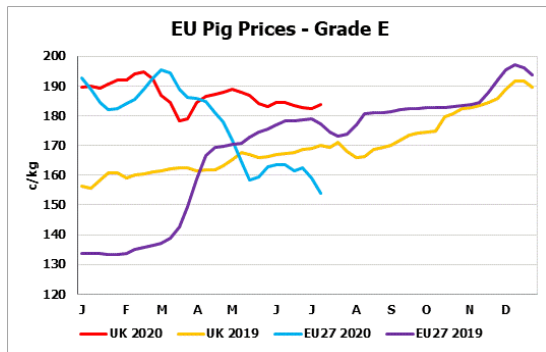
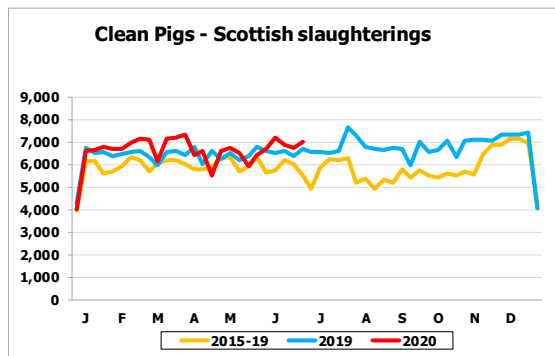
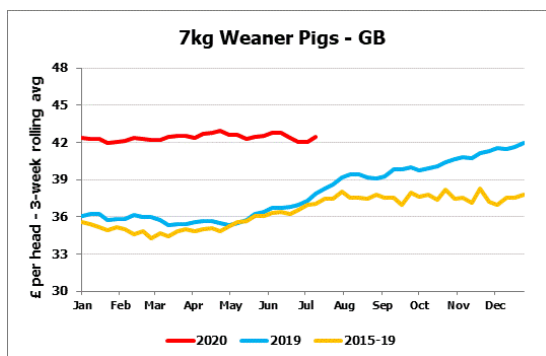
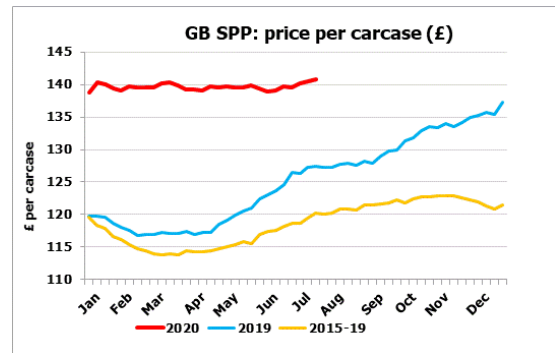
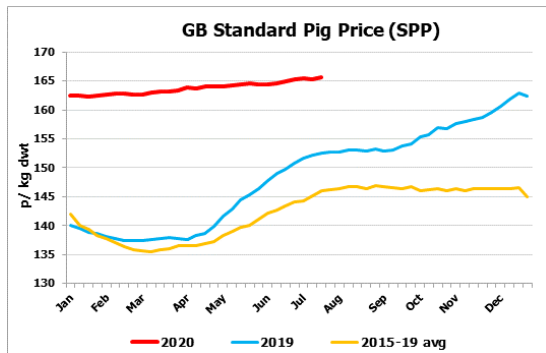
## ***Pigs Update***

- Prime standard pig price (SPP) has continued to edge higher rising 0.97 p/kg dwt over the past month to reach 165.61 p/kg dwt by mid-July. Prices were rising more steeply in 2019 consequently by mid-July the increase in price year on year has narrowed to 8.5%.
- Average carcase weights at SPP reporting abattoirs have climbed 0.25 kg over the past month which combined with the movement in prices mean the return per pig has climbed 0.7% reaching its highest level of the year some far. Compared to a year ago carcase weights are 1.4 kg heavier at price reporting abattoirs.
- National statistics show UK prime pig slaughterings in June to have been higher than twelve months earlier and over 14,500 head higher than in May. May is the only month in 2020 where the UK prime pig kill has been lower than the same month a year ago suggesting that a significant part of the growth in slaughter numbers in June was the result of disruption of deliveries to abattoirs during May as a consequence of Covid-19 control measures. However, the December 2019 census results for England and Scotland did report lower numbers of under 20kg lwt pigs at that time which would suggest prime slaughter numbers should have tightened in the second quarter of 2020.
- Weaner prices continue to fluctuate within a narrow band of £42-£43 per head slipping to the low point in this range in early July before recovering in mid-July.
- Kantar Worldpanel retail sales data for the first twelve weeks of the Covid-19 lockdown period show strong growth of some 14% in retail sales of pork and pork products compared with the same period a year ago. Sales of bacon and sausages have been particularly strong with fresh pork products showing much lower growth rates. Growing demand has however created the opportunity for some increase in retail prices with the average price of pork products rising 7% in the year to June according to the Office of National Statistics; bacon fared less well rising only 1.9%.
- Revised trade data from HMRC suggests that UK pigmeat exports were higher during April 2020 than April 2019 and holding firm during May 2020 albeit slightly lower than May 2019 but well above May 2018.
- China/Hong Kong continue to drive to underpin pork exports, with deliveries during April growing by 60% on 2019 but there was a more modest growth of 36% recorded in the provisional May figures. Nevertheless China and Hong Kong continue to dominate taking almost half of all UK exports of pigmeat.
- Although UK pigmeat imports increased between April and May deliveries during May fell well short of year earlier levels. Germany and Denmark are the principle sources of imported pigmeat and while Germany increased deliveries year-on-year during May Denmark supplied 13% less and there were larger declines in imports from France, Belgium, the Netherlands and Spain
- Chinese wholesale prices continue to firm recovering all the price falls between February and mid-May and within touching distance of the highs seen in autumn 2019.

- In contrast to the UK, producer prices for prime pigs across Europe are typically 12% lower than a year ago while weaner pig prices trail year earlier levels by more than 20%. German prices have been particularly hard hit falling 5% in the first week of July to stand 14% lower than a year ago perhaps a reflection of the temporary closure of the Toennies abattoir because of Covid-19. These relative movements in European and UK prices mean that currently only Sweden, Cyprus and Bulgaria report higher farmgate prices than the UK
- In the US, pig slaughter numbers continue to reflect the disruption caused by plant closures in May and although slaughter numbers have eased back in early July by the third week of July, they were still 10% higher than a year ago. Similarly, although the reduced kill encouraged some increase in farmgate price in the most recent week producer prices are reported 56% lower than a year ago despite strong and continuing demand for pork from China. Wholesale prices of pork have fallen some 36% since their peak in early May and currently stand 10% lower than a year ago.
- London wheat futures for November delivery have edged lower in the past week to £167/tonne on positive news for wheat yields in America. However, ex-farm prices have edged higher to around £158/t in North East Scotland. Meanwhile, barley prices have drifted slightly lower at £118/t, widening the discount to wheat. At these levels, wheat has been trading 5-10% dearer than last year but barley similarly lower.
- Soyameal prices have steadied at around the £307/t level in the first half of July around £6 per tonne lower than a year ago. The global market for soyabeans remains well supplied but US exports to China have been performing well of late. The international Grains Council is forecasting a higher 2020-2021 production of soyabeans and although carryover stocks are reported to be lower a better availability of product.



# Pig Charts



## ***Business Environment***

### **Economic Activity:**

While economic activity remains considerably below previous levels, economic indicators have signalled a continuing rebound from their low point, reflecting the easing of some containment measures. In some instances, businesses have been legally permitted to return to operation. In other cases, businesses in sectors that have remained open, such as cafés and Quick Service Restaurants, have been progressively reopening with an adjusted business model. Nevertheless, in late June, ONS business survey responses indicated that nearly 60 percent of continuing businesses were still reporting a decrease in turnover outside the normal expectation. The survey indicated that the business sectors with the slowest return to work were the accommodation and food service sectors. Equally 46% the accommodation and food service businesses that were trading reported turnover down by more than 50%.

Purchasing Managers Index (PMI) scores for June should further recovery, with manufacturing rising from 40.7 to 50.1; services from 29.0 to 41.7 and construction from 28.9 to 55.3. The return of some indices to above 50 reflects a recover to a position of stability or growth in the construction and manufacturing sectors. Scotland's composite indicator firmed from 21.1 to 37.1, with the gap between it and the UK composite widening from -8.9 to -10.6, reflecting a more cautious approach to reopening within Scotland.

ONS' monthly consumer price inflation report showed a fourth month of relative stability in the CPIH index in June, with the annual rate of inflation rising to 0.8% from 0.7% in May. Clothing & footwear, household goods, and transport costs have fallen relative to 2019. Meat price inflation was reported as 2.7% over twelve months and 0.3% over one month. The overall index for food rose 1% over the year but fell 0.6% in the past month.

### **Consumer Confidence**

GfK NOP's consumer confidence survey reported that the index for June was six points lower than in May, at -30, suggesting an improvement in consumer sentiment but remained well down on a year ago when the index stood at -13. There was an improvement in sentiment surrounding future personal finances and general economic conditions and some improved sentiment towards major purchases although all remain well below the levels of twelve months ago.

### **Exchange Rates:**

	w/e 17/07/20	June 2020			w/e 19/07/19	June 2019		
		Low	High	Avg		Low	High	Avg
€:£	91.0p	88.9p	91.7p	89.9p	89.7pp	88.4p	89.7p	89.1p
\$:£	79.5p	78.4p	81.45p	79.8p	80.2pp	78.4p	79.8p	78.9p
NZD:£	52.2p	50..3p	52.3p	51.5p	54.0pp	51.6p	52.9p	52.1p

**Stuart Ashworth, July 2020**