

MARKET REPORT - May 2020



Cattle Update

- Following an almost remarkably stable first quarter of the year, the average prime cattle price at reporting Scottish abattoirs (90.3% of the kill between January and April 2020) increased strongly as April began, reflecting a surge in O grade cattle prices. However, prices then fell 4% over the next three weeks, dropping to 336.5p/kg, leaving them marginally below their lowest level of last year. Prices were then relatively stable for two weeks.
- As a consequence, April saw the average steer carcase price at Scottish abattoirs fall to its lowest level since December 2019. As well as being 1.3% cheaper than in March, they were down £62.50 (4.5%) on the year. There was a 3.7% fall in per kilo price (347.8p/kg) and 0.8% in carcase weights (386.8kg).
- The week to May 16th saw the average prime cattle price rebound strongly off its 2020-to-date low, reflecting strong competition for cattle. A 6p increase to 342.5p/kg placed it at its highest level since the week to April 4th and around 1% below its average from the first quarter of 2020. This lift was stronger than the upwards seasonal trend, resulting in a narrowing of gaps with historical levels and the year-on-year decline eased to -5.5% from -7.3%.
- In England & Wales, the average price fell more significantly in April than in Scotland, resulting in a widening of the Scottish premium from 4.2% at the end of March to 6.3% in the second half of April. Prices then rebounded slightly more strongly from their low in England & Wales, with three weekly increases taking the average up 7.7p to 324.7p/kg in the week to May 16th, leaving Scottish prices at a premium of 5.5%.
- The R4L steer price premium for Scotland over E&W fell between January and March, easing to an average of 5.4p (1.6%) in the third month of the year. However, it rebounded in April, recovering to 11p (3.3%).
- At Scottish abattoirs, -U4L steers traded 4.4p cheaper on average than R4L steers during April; for heifers it was the reverse - the -U4L averaged 3.2p higher.
- Evidence of a destabilisation of the beef market caused by Covid-19 containment measures first showed in the cull cow trade, possibly down to its sensitivity to demand for burgers in Quick Service Restaurants and at recreational events. O+3 grade prices lost 8% in two weeks and were 10% lower in late April than they had been in the third week of March. Having run around 6% in front of 2019 from January to the third week of March, by late April, prices had fallen as much as 14% behind 2019.
- However, the market turned at the end of April and O+3 grade prices rose 20p/kg over three weeks. One likely influencing factor is the slow re-opening of Quick Service Restaurants for takeaway provision. Nevertheless, at 264.8p/kg in the week to May 16th, O+3 grades were still 3% below their March peak and down by 6.3% on the year.
- The week ending May 16th saw the fourth consecutive increase in prime slaughter numbers at reporting Scottish abattoirs. A 9% lift took numbers to their second highest of the year-to-date. While some of this is likely to have reflected a seasonal

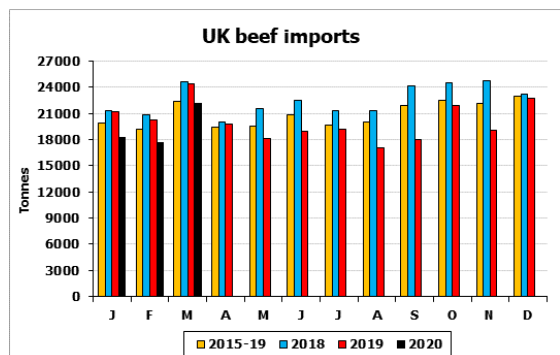
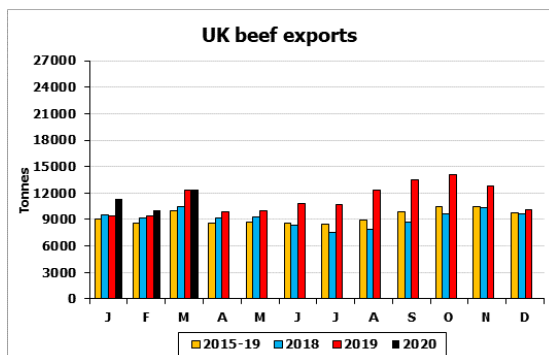
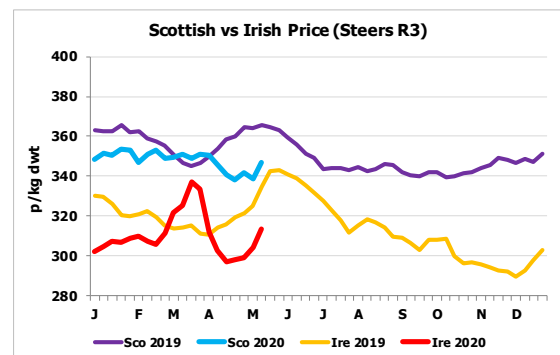
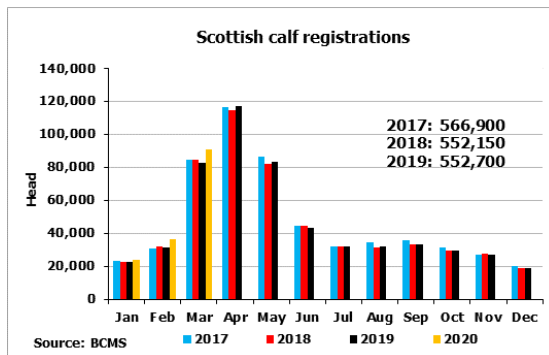
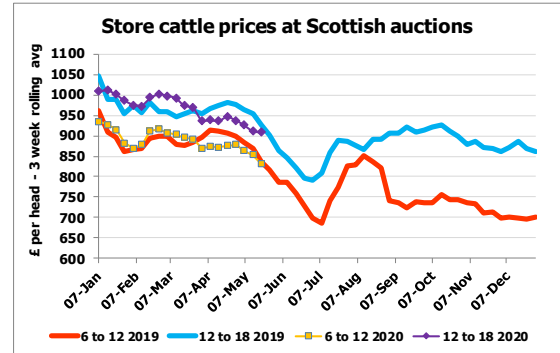
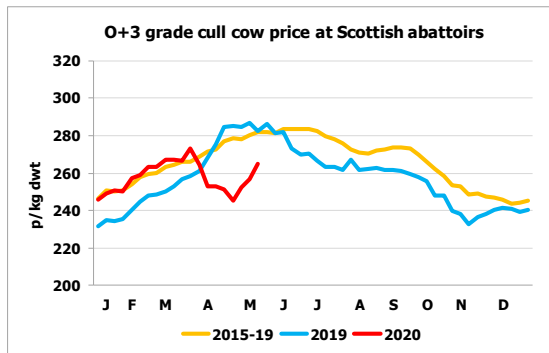
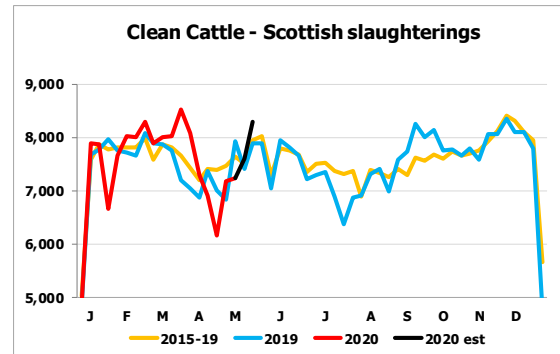
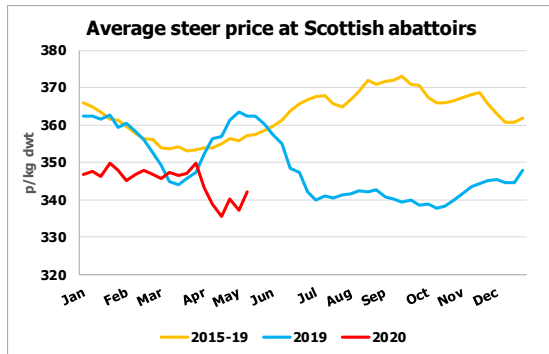
increase in availability, it did see numbers climb 5% above 2019 levels, suggesting abattoir productivity has held up despite distancing rules being in place.

- However, in the three weeks to May 16th, prime slaughter at reporting Scottish abattoirs did fall 0.7% short of 2019 levels. Meanwhile, the weekly average for these three weeks was within 1% of its average level during the first quarter, having exceeded Q1 levels by nearly 3% in the same period of 2019.
- The slow down in slaughtering during April saw the kill in Scotland and the UK over 3% lower than in April 2019 and 11% lower than during March.
- Although slaughter numbers also picked up strongly in E&W in the week to May 16th, they remained well below the highs of Q1 2020 and the same week in 2019.
- Across the UK as a whole slaughter numbers of prime cattle during the first quarter of 2020 were 3.6% higher than in 2019. Meanwhile slaughterings of cull cows and bulls fell 0.7% and the total volume of beef produced in UK abattoirs increased 3.5%.
- Although growth in UK export volumes during March was negligible, provisional trade data for the first quarter of 2020 shows growth in exports of 8% compared to quarter 1 2019. Meanwhile beef imports during the first quarter of 2020 were 12% lower than the same period in 2019, although the deficit was lower during March than earlier in the year. Despite these changes in trade leading to lower net imports the higher domestic production during March increased the volume of beef on the UK market by more than 4% in that month.
- AHDB's weekly retail beef sales tracker has seen a lift in GB household spend on beef in the three weeks to May 17th, averaging 34% above year earlier levels, compared to growth of 12.5% over the previous three weeks. At the peak of demand rebalancing and stockbuilding in the third week of March, sales had surged by 89% year-on-year.
- Similar to Scotland, prime cattle prices fell significantly in the Irish Republic between mid-March and late April. R3 grade steers decreased by around 7.5% to a low point of €3.40/kg (298p/kg) in the week to April 26. However, they have since shown some recovery rising 4.5% over a three-week period to €3.55/kg (313.5p/kg) in mid-May.
- Irish prices initially fell faster than those in Scotland and have since risen more strongly. As a result, the Scottish premium for R3 steers widened to 15% in mid-April before slipping back, working out at 10.7% in mid-May. In the same week last year it had fallen to 9.2%.
- In mid-May Irish prices were 7.7% below year earlier levels, with this gap barely narrowing from its peak. This reflects an upwards seasonal trend at this time of year. In sterling, prices were 6.4% below 2019, reflecting the weaker sterling this year.
- A recovery in Irish prices may well be linked to a fall in slaughter numbers. Between mid-April and mid-May, weekly prime slaughter has settled at a level around a quarter below Q1 2020 levels. In 2019, the seasonal decline had been closer to 15%. As a result, numbers have been running 10-15% behind year earlier levels. By contrast, numbers had risen 4% year-on-year in March and by 0.4% in the first quarter.
- Across the EU the destabilisation caused by covid-19 containment measures continues to place pressure on the beef market. As a result processing companies in a number of EU countries have been claiming Private Storage Aid support to place hindquarters

into cold storage for 90, 120 or 150 days, with the EU paying out just over €1,000 (approx. £900) per tonne taken off the market. Between May 7-22, 1,249t had been placed into cold storage, with the main users being Poland (431t), Netherlands (260t) and France (220t). Spanish and Austrian companies have also been significant users of the scheme but at smaller quantities totalling around 110t.

- In the week ending May 17th, EU average prices for R3 grade young bulls (€3.42/kg/£3.02/kg) and O3 grade cows (€2.57/kg/£2.27/kg) did edge up from their previous lows, and were only slightly below where they had been in the first half of April. Nevertheless, they were still a respective 5.5% and 9.4% below mid-March levels and trailed year earlier levels by 5.2% and 11.5%.
- Following processing plant closures in April in the US due to outbreaks of covid-19, there has been some recovery in the US processing sector in May, with consecutive weekly increases in estimated cattle slaughter of 6% and 10%. Despite this, numbers were still thought to be about a quarter below 2019 levels in the week to May 17th.
- Given strong beef demand, the partial recovery in US processing capacity has seen farmgate beef prices begin to recover, rising 16% from their low to lag 2019 by 3% compared to a 22% decline at the turn of the month. Wholesale prices remained elevated at more than double 2019 levels.
- In mid-May, store cattle marketings at Scottish auctions slipped back to their lowest level since Covid-19-related disruption in late March but remained elevated compared to January and February. Prices for 6-12-month steers continued to edge lower, down £5 at £826, but 12-18-month steers rose £20 to a three-week high of £921. Prices fell significantly through May 2019, so the year-on-year comparisons moved ahead of last year for the first time since the beginning of March, up 2-2.5%.
- At £869.50 in April the average 6-12-month store steer was 65.8% of the finished steer carcase price at Scottish abattoirs (£1,322), while 12-18 month steers averaged 70.3% of this, clearing at £930. Store prices were down 2-3% on the month and by 3-4% on the year in April.

Cattle Charts

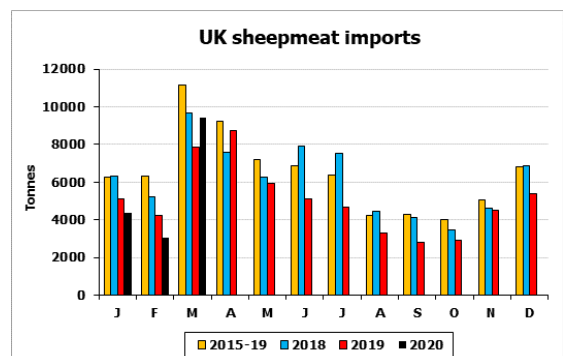
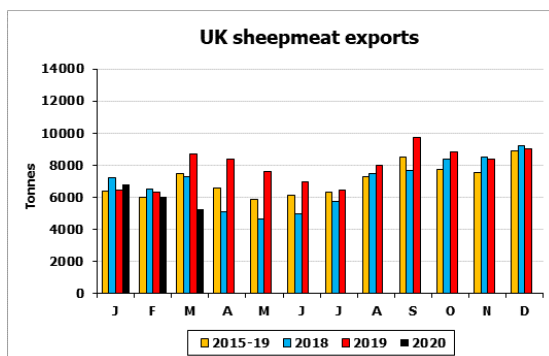
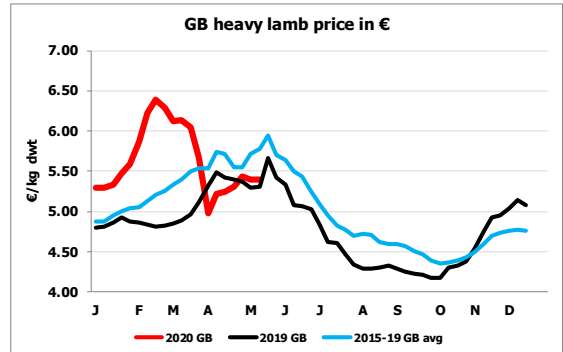
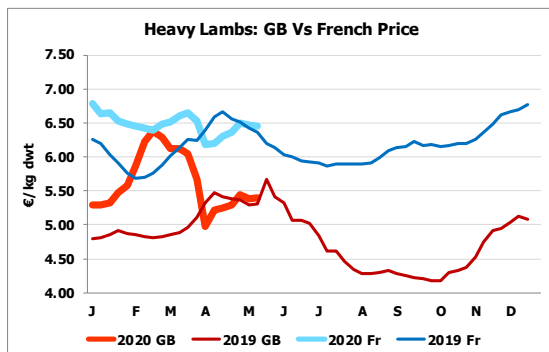
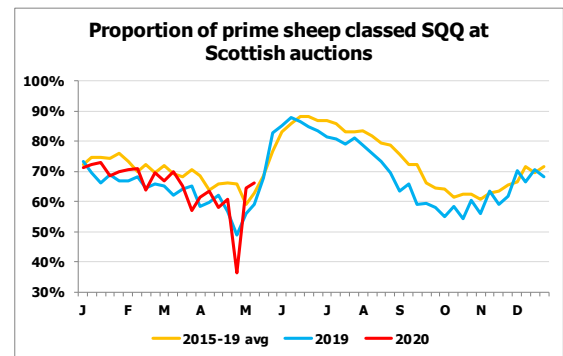
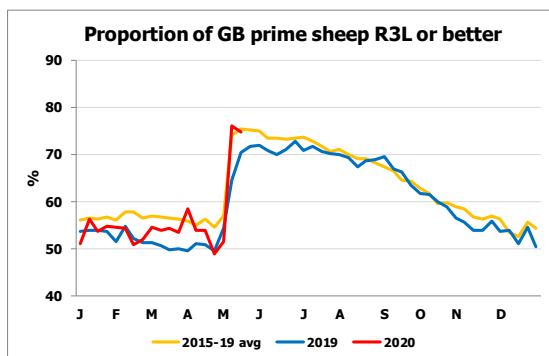
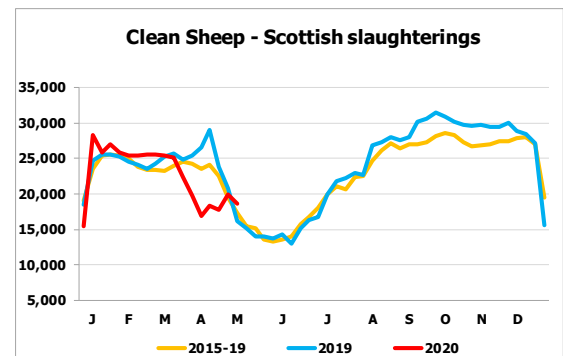
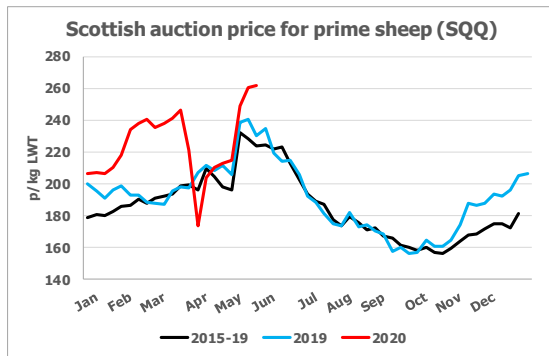


Sheep Update

- Measures taken to control Covid-19 across the UK and the EU resulted in considerable volatility in the sheep market in late March and early April. At Scottish auctions, despite strong volumes, SQQ prime sheep (25.5-45.5kg) had been trading 25% dearer than a year earlier at around 240p/kg, but a collapse in demand at home and abroad meant that stocks built quickly and the market fell sharply on March 23rd. In the final week of the month, prices averaged around 175p/kg, leaving them down 16% on the year.
- Prices remained subdued at Scottish sales until the 2nd of April, before returning back above the £2/kg mark.
- Selling prices at Scottish sales fell more sharply than prices in England & Wales and remained lower for longer, suggesting weak demand meant that processors in England & Wales were able to secure a higher proportion of their requirements locally. At this time, another feature of the market was that prices for non-assured lambs traded at a much larger discounts at Scottish sales than in normal market conditions.
- After Easter, the prime sheep market settled down, with prices averaging around 215p/kg for old season lambs for the rest of the month. Scottish prices rose above those in England & Wales, while the farm assured premium eased back.
- Moving into May, old season lamb prices have held up, averaging around 210-215p/kg for those in the SQQ weight range; though prices have varied widely between sales. In the third week of May prices averaged 12% above year earlier levels.
- New season lamb numbers have been reaching the market in greater numbers each week and the third week of May saw a further lift of around two-thirds at Scottish sales. Despite this, they still accounted for only 18.6% of prime sheep sales at Scottish auctions in the third week of May, compared to a GB share of 48.4%.
- New season numbers have been running well above year earlier levels at Scottish auctions, increasing 21.6% in the three weeks to May 20th. At GB level, numbers exceeded year earlier levels by 15.8%, mostly down to a strong third week.
- For hoggs, numbers have been well above 2019 levels at Scottish sales during the first three weeks of May. Across GB, they were lower in the first half of May before a rise against the seasonal trend in the third week saw them push significantly higher. Ramadan was between April 23 and May 23 this year, boosting demand for sheepmeat, particularly for the start and end of the festival.
- At Scottish sales, 59.5% of lambs weighed in the SQQ range in the three weeks to May 20, up 2.9 percentage points on the year.
- In early May, Scottish auctions saw a wide variation in selling prices for 2020-born lambs, with an overall average of 249p/kg. In the second and third weeks of the month, daily prices were mostly in the 255-260p/kg range, but average prices of 266-268p/kg at Monday sales pushed the weekly averages above the 260p/kg mark.
- In May 2019, new season prices had opened May at around 240-245p/kg before cooling towards 230-235p/kg in the second half of the month. As a result, Scottish prices extended their year-on-year lead from 8.2% in the second week of the month to 13.7% in its third week.

- Scottish auctions have seen weekly prices around 1-2% below average levels in England & Wales; though hogg prices have remained slightly higher in Scotland.
- In the week to May 9th, assured lambs sold at an average price that was 6.3% above the average paid for non-assured lambs at Scottish sales. This premium widened to 6.9% in the week to May 16th.
- At price reporting GB abattoirs, nearly half of the prime sheep processed were new season lambs in the week ending May 16th. After dipping slightly in the first week of the month, prices rose by about 5% in the second week of May to average 536.1p/kg, taking them from roughly in-line with 2019 levels to be around 5.5% higher. Old season carcasses averaged 475.4p/kg.
- In the standard 12-16.4kg carcass weight category, R3L grades sold for 527.4p/kg and for medium carcasses weighing 16.5-21.5kg, R3L grades traded at 532.5p/kg.
- Carcass quality has opened the 2020/21 season higher than last year, with 75.2% of carcasses grading at R3L or better in the first half of May compared to 71.3% in 2019.
- Over the first quarter of 2020 UK abattoirs handled nearly 5% fewer lambs and 9% fewer ewes than in the same period of 2019 and produced nearly 7% less sheepmeat as carcass weights fell around 0.4kg. However, following disruption associated with Covid-19 the lamb kill during March was 7.5% than a year earlier and an exceptional 21% lower during April.
- In contrast, ewe slaughterings during April were some 20% higher than last year. With Ramadan helping to underpin demand, this growth in numbers was absorbed and prices continued to run well above 2019 levels, peaking at around £90 per head. Although cull ewe prices have eased to average around £75 per head in May, they did push back above £80 at the time of peak buying for the end of Ramadan.
- Despite a strong start to 2020, provisional trade data shows that over the first quarter of 2020 the UK exported 16% less sheepmeat than last year. As had been indicated at the time, March was particularly difficult, with exports provisionally down nearly 40% with considerable reductions in deliveries to the main markets of France and Germany. Imports fell 2% over the first quarter of 2020 although deliveries during March were higher than in 2019 but still the second lowest March delivery in the past decade.
- UK imports had been higher in March with New Zealand exporters reportedly diverting product to Europe due to logistical challenges in China.
- AHDB's weekly retail sales tracker has shown considerable volatility in GB household spending on lamb, reflecting the timing of Easter. Between the beginning of April and mid-May, spending rose by an average of 7%, around half its growth rate in March. In the peak stockbuilding week in March spending climbed 58% above 2019.
- In France, farmgate prices fell 7% in late March but an upwards trend through April saw more than half of the decline eroded by the end of the month. Prices then edged lower in the first half of May, averaging €6.46/kg (£5.70/kg) in the week to May 17th. Though 2.9% short of the mid-March peak, this was 1.4% above year earlier levels.
- Wholesale lamb prices at the Rungis market in Paris firmed in the second week of May before stabilising in the third week of the month as the market became more balanced.

Sheep Charts

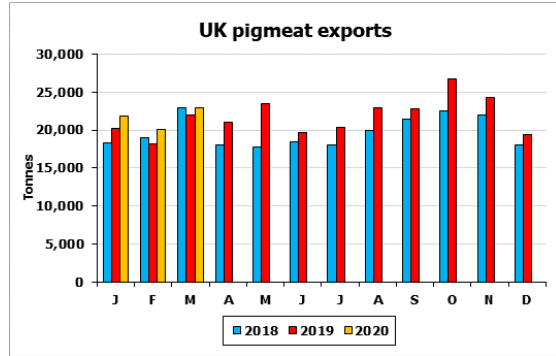
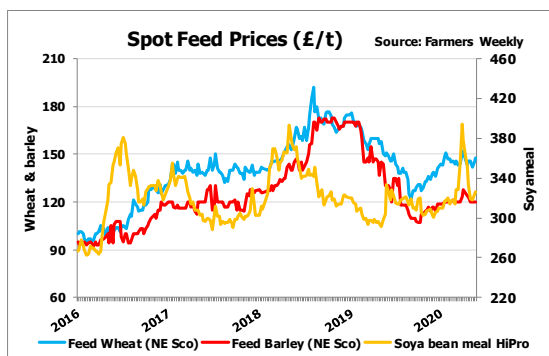
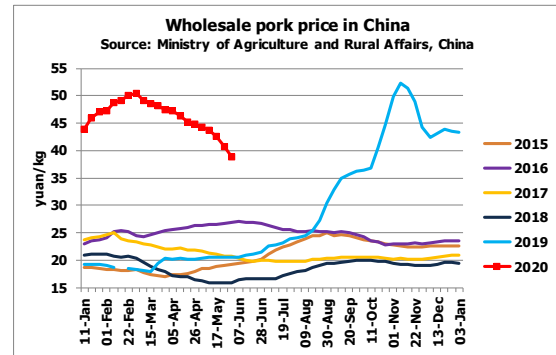
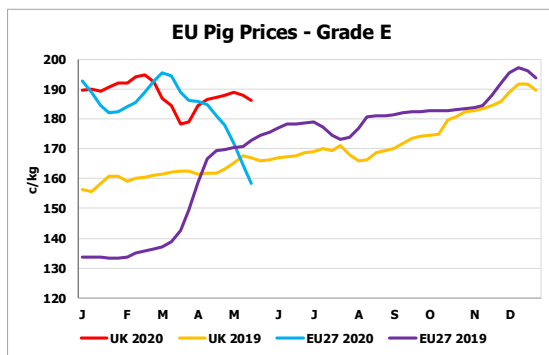
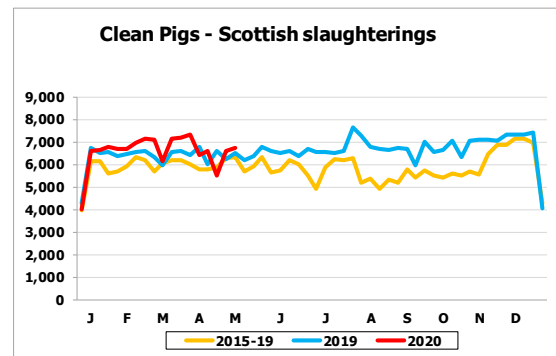
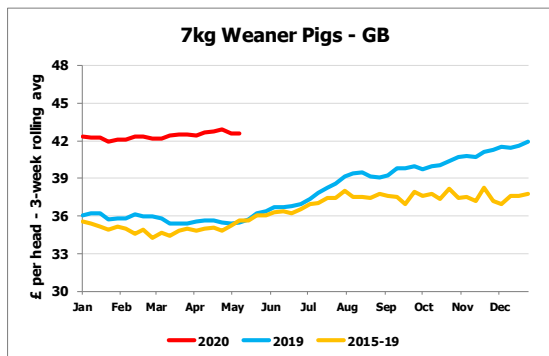
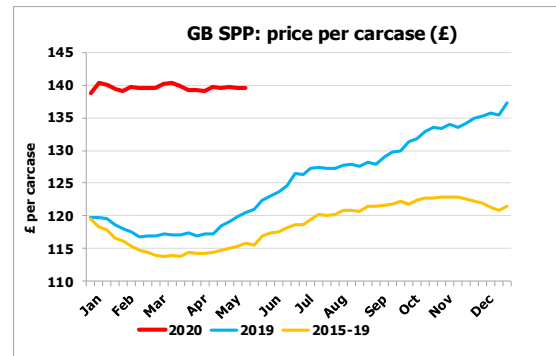
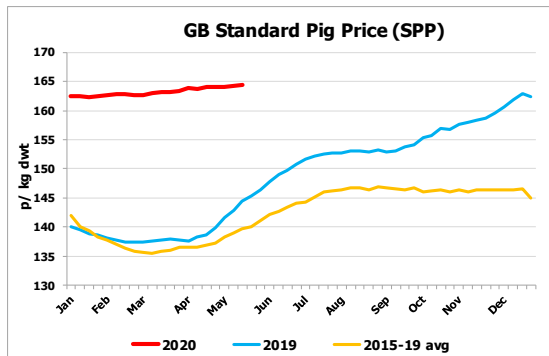


Pigs Update

- Compared to the volatility in the beef and lamb sectors, the Coronavirus pandemic appears to have had minimal impact on GB producer prices for prime pigs; although the sow trade has been exposed to volatility in exchange rates and the EU market.
- It has been reported that retail demand for home produced pork has held up while imported pigmeat was more sensitive to the reduction in demand from foodservice. Nevertheless, domestic processors have reported a backlog in some cuts.
- After a relatively stable start to the year, the GB SPP has been slowing trending higher since the beginning of March. In the first half of May, prices averaged around 164.3p/kg compared to 162.7p/kg at the end of February. Meanwhile, carcasses in the 70-104.9kg weight range have risen to 164.9p/kg from 163.7p/kg in February.
- The average price for all pigs, which will includes pigs eligible for premium schemes, and this average has risen by around 1.5% since late February compared to a 1% lift in the price of a 'standard' pig.
- The seasonal upturn in prime pig prices has been less pronounced in 2020 than it had been last year so the year-on-year increase in the SPP has slipped back to around 14% in mid-May from an average of 18.5% between mid-February and mid-April.
- Average carcase prices at the abattoirs reporting into the SPP have followed a stable trend since the beginning of 2020, fluctuating within a narrow range between £139.05 and £140.36. In the second week of May, carcasses averaged £139.54. This was a year-on-year increase of 15.8%, with higher carcase weights than last year keeping this rate elevated compared to the rise in per kilo prices.
- Carcase weights at reporting abattoirs were only 1.1% lighter in the second week of May than they had been during the first quarter of 2020. In 2019, they had fallen 2.3% below their Q1 level.
- Slaughter numbers at price reporting abattoirs were 9% below their Q1 weekly average in the three weeks to May 16th compared to a 3% reduction between the two periods in 2019, suggesting significant impact on pig processing from distancing and absences.
- UK abattoir throughput of prime pigs over the first quarter of 2020 was 5% higher than a year ago although sow slaughterings declined. During March alone slaughterings of prime pigs were 10% higher than a year earlier and although numbers reduced during April, as requirements of social distancing were applied at abattoirs and processing plants, they remained 2% higher than a year earlier.
- In March there was a small upturn in the value of 7kg weaners and they have averaged around £42.60 since, though continuing to fluctuate from week-to-week. In the year-to-date, weaners have generally been worth around 30.5% of the SPP carcase price.
- Provisional trade data shows exports of pigmeat increased in each of the first three months of the year resulting in 9% more export volume over the first quarter. Growth in deliveries to China remain particularly important in sustaining this growth as they have grown to account for over 45% of all exports.

- Meanwhile imports have been significantly (14%) lower. After adjusting for these changes in trade available pigmeat on the UK market has reduced slightly in the first quarter compared to 2019.
- In China, wholesale pork prices have trended steadily downwards since the country returned to work after the extended New Year holiday in February. The downturn has resulted in pork becoming 22% cheaper over a three month period, with its cost dropping below the 40 yuan/kg (£4.60/kg) mark on May 15th for the first time since October 9th.
- The impact of high prices and the lack of recovery in foodservice sector demand due to health concerns on the demand-side coupled with high imports and the release of pork from public stocks have placed downwards pressure on the Chinese market. By contrast, prices for beef, sheepmeat and chicken have proved more stable.
- While pork may have become significantly cheaper in China since February, it was still 90% dearer than last year in the third week of May, reflecting the continuing shortage of pork due to the collapse in pig production between mid-2018 and mid-2019.
- During February, the EU pig market had rebounded from a price dip in the early weeks of the year, reaching €1.95/kg (170p/kg) as March began. However, ten consecutive weeks of price declines followed, lowering the grade E average by 18.9% to €1.58/kg (140p/kg) in the week ending May 17th.
- Price declines since March have taken the EU average from 40% above year earlier levels to 8.3% below them. Meanwhile, the EU average has gone from 5% ahead of the UK level to a discount of 15%.
- In mid-May a weekly price forecast suggested that the key German slaughter pig market was showing signs of stability, before pointing towards some recovery in the third week of the month.
- In the US, major processing plant shutdowns in April due to large numbers of cases of Covid-19 amongst workers led to significant disruption in the market. Reduced capacity led to pigs backing up on farms and farmgate prices nearly halved. The resulting shortage of pigmeat saw wholesale prices double. By mid-May, slaughter had rebounded by a fifth from its low but was still around 15% below potential.
- London wheat futures prices have generally bounced between £151/t and £161/t since March, having fallen to a year-to-date low of £145/t before containment measures were introduced in mid-March. Despite remaining elevated, prices have continued to fall around 5% short of 2019 levels.
- Global grain production is forecast to be in surplus, given the reduction in beer sales from licensed premises and reduced biofuel use in transport. However, there are some worries over yields in Europe as a very dry spring has followed a wet winter.
- A sharp fall in sterling against the US dollar in March saw the price of imported soyameal surge. At its high, prices approached £400/t, but they have since dropped back to previous levels around the £315/t mark. Nevertheless, soyameal has remained dearer than last year by around 10%. The global market for soyabeans remains well supplied given weak demand for biodiesel and high production levels in South America.

Pig Charts



Business Environment

Economic Activity:

Containment measures brought in to slow the spread of COVID-19 severely curtailed UK economic activity in mid-March, putting an end to the early 2020 optimism which had seen an uplift in business activity. There were significant knock-on effects for many households' finances. Many will have seen income levels squeezed even after factoring in government income support measures, due to lags in payments, specific circumstances preventing access to programmes and the caps to support below previous levels of total earnings.

Meanwhile, distancing rules are likely to have reduced productivity at manufacturing sites and the disruption to global supply chains and freight transport will have led to some challenges in procuring inputs and exporting end products. Indeed, the ONS' business survey for late April to early May found 72% of businesses reporting falls in exports below normal levels with 59% of importing businesses reporting reductions. Under 5% reported improvements.

PMI scores for March showed sharp falls in activity below the 50 score indicating no change, coming in at 47.8 for manufacturing, 34.5 for services and 39.3 for construction. In April, the full scale of the economic shock became apparent with these scores sliding to a respective 32.6, 13.4 and 8.2. In Scotland, the composite indicator slipped to from 29.7 to 10.7.

ONS figures suggest that declarations for Universal Credit initially surged, peaking at 146,200 from 103,300 households on March 27th compared to a normal level of 10-16,000 per weekday. By May 5th, claims were still elevated at 27,800. Meanwhile, more than three-quarters of UK businesses reported some use of the Coronavirus Job Retention Scheme.

Consumer Confidence

GfK NOP's monthly consumer confidence survey reported a stabilisation of confidence levels in April. The index had reached a 16-month high of -7 in February but by the end of March it had plummeted to -34 following the closure of large sectors of the UK economy.

In April there was a small improvement in net pessimism over personal finances in the year ahead, while pessimism around the general economic situation over the past year worsened. Feelings around the general economy remained more negative than on personal finances. Meanwhile, the confidence to make large purchases remained very weak (-52); though some of this may have been down to the more limited opportunities to buy big-ticket items.

Exchange Rates:

	w/e 24/05/20	April 2020			w/e 26/05/19	April 2019		
		Low	High	Avg		Low	High	Avg
€:£	89.5p	86.9p	88.5p	87.5p	88.0p	85.4p	86.6p	86.2p
\$.£	81.8p	79.3p	81.6p	80.6p	78.7p	76.0p	77.5p	76.7p
NZD:£	49.9p	47.7p	49.1p	48.4p	51.3p	51.0p	51.9p	51.5p

April saw global financial markets prove more stable after the considerable volatility and rebalancing in March. Currency movements were subsequently in much smaller ranges. Sterling settled around its March-ending level against the euro but did soften in mid-May as there was some fear over the potential for an easing of the lockdown to result in a renewed spike in infections. Worries around a lack of progress in UK-EU trade talks also factored.

While the US dollar continues to be underpinned by 'safe-haven' status, the New Zealand dollar has remained weak due to its correlation with global trade and commodity values.

Iain Macdonald and Stuart Ashworth, May 2020