



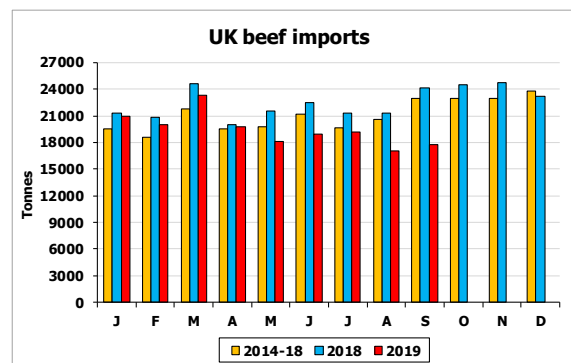
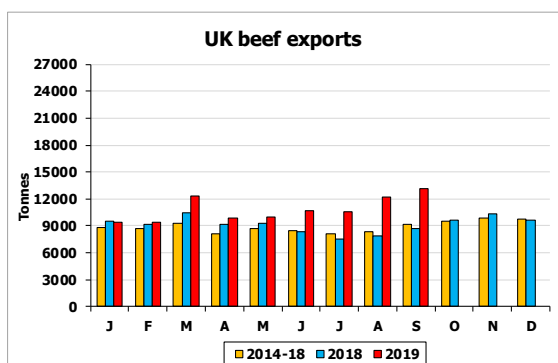
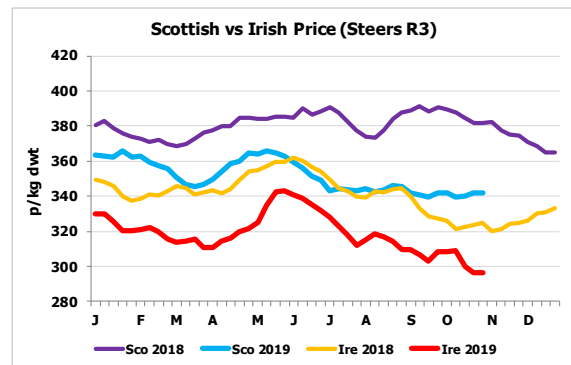
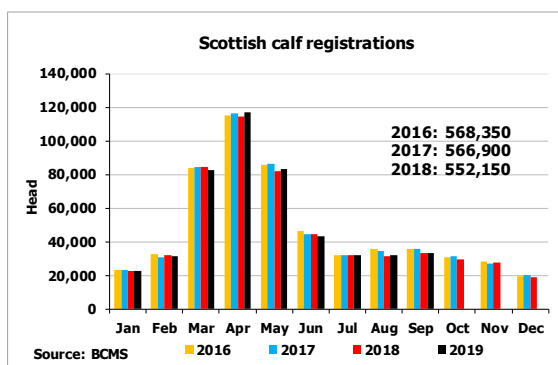
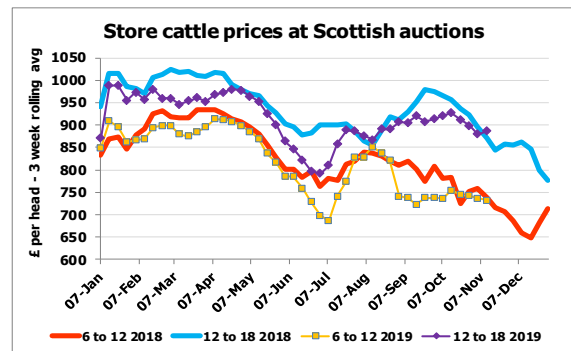
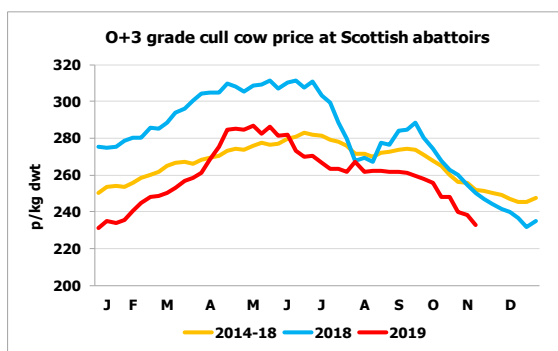
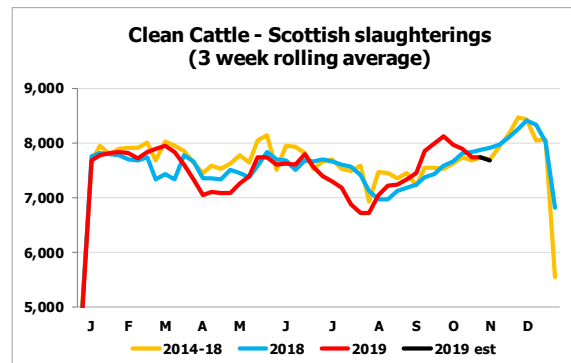
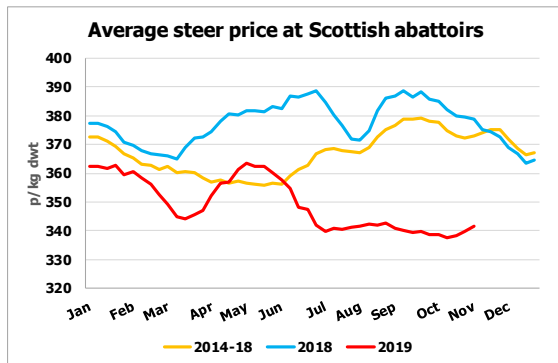
## **MARKET REPORT - November 2019**

### ***Cattle Update***

- The overall average prime cattle price has averaged in a narrow 337-341p/kg range since July. After dropping to the lower end of this range in mid-October, prices rebounded, opening November at a 10-week high of 340.5p/kg. After four weeks at 343-344p/kg, R4L steers also opened November at a 10-week high, of 346.8p/kg.
- Price declines relative to historical levels have been trending lower since reaching a peak in September. The overall average prime cattle price has gone from year-on-year declines of 12-13% in September to be down 9.6% in early November.
- Cow prices have cooled seasonally since September, reflecting an upturn in slaughter numbers. O+3 grade cows were 15p/kg (6.1%) lower in early November than four weeks before, at 232.9p/kg. This left them at a year-on-year discount of 7%.
- Scottish prime cattle prices averaged 7.1% above the England & Wales average in the week ending November 9<sup>th</sup> – slightly below the prior week's 2019-to-date high of 7.5%. Meanwhile, at 12.9p (3.9%), the R4L steer price premium for Scotland over E&W was marginally above its average since May. In three of the four weeks to November 9, -U4L steers were priced higher per kilo than R4L steers, compared to an average 1.8p discount in the year-to-date. This may reflect a seasonal fall in carcase weights.
- Weekly slaughter at price reporting abattoirs has trended lower following the unusual lift to a year-to-date high in late September/early October. Numbers averaged 4.6% lower in the four weeks to November 9 compared to the previous four weeks and fell 2.1% short of 2018 levels. A year earlier they had risen 3.7% on the prior four weeks.
- After lifting sharply in September, the average weekly prime cattle kill at Scottish abattoirs fell 0.9% in October. This compares with a 5.6% rise between the two months in 2018. A large increase in the first week kept numbers a fraction in front of 2018 levels as they dropped back by 1.4% in the remainder of the month. In contrast to earlier in the year, heifer slaughter fell sharply, down 5%, whereas 2.6% more steers and 14.8% more young bulls were processed. Despite this strong lift, young bulls made up only 5.9% of prime slaughter compared to 6.4% in September.
- The cow kill at Scottish abattoirs continued to fall sharply year-on-year in October, down 11.2%. This was despite a seasonal 14.6% rise in weekly kill between September and October.
- UK beef production continued to exceed year earlier levels in October, rising 3%. A 2.2% lift in prime production was added to by a 5.8% lift in cow beef output, with both driven by a higher kill and carcase weights. In the first ten months, UK production rose 2% from 2018 with prime beef up 2.4% and cow beef by 1%.

- While BCMS data showed a 2.6% fall in Scottish calf registrations in 2018, a 0.2% recovery has been reported for the first ten months of 2019, driven by a 0.8% lift in beef-sired registrations. At GB level, registrations declined by another 0.4%, having fallen 1.8% in 2018.
- During October the store cattle market largely generally lacked direction, although prices for 12-18-month steers did drop slightly in the second half of the month. 6-12-month steers averaged 0.2% dearer than in October 2018 while 12-18-month steers traded 1.9% lower, at a respective £740 and £911. In the first week of November prices averaged £736 and £895.
- During October, purchase prices for younger steers averaged 58.3% of the steer carcass price (£1,269) with 12-18-month steers trading at 71.8% of it. The average steer carcass was £158 (11.1%) cheaper than in October 2018.
- GB retail sales data from Kantar Worldpanel indicates a 3.5% year-on-year reduction in spending on fresh and frozen beef in the twelve weeks to October 6th. Price cuts meant that the volume retailed fell at a slower 1.6% rate, with discounts on mince driving sales while the steak market remained weak. Spending on chilled burgers rose strongly on a year earlier, up 9.9%, reflecting a later barbecue season than in 2018.
- Provisional UK trade data for September signalled a continued rebalancing, with imports down 26.6% and exports up by more than half. Exports to the EU rose 41% relative to a year earlier while sales to non-EU countries more than doubled. In the January to September period, net imports fell 40,000 tonnes (34%) from 2018.
- Slaughter disruption in the Irish Republic is likely to have influenced trade for a second month, with UK exports to Ireland up 51% while imports fell by 28.6% relative to September 2018.
- A fall in new supply in 2019 due to the rebalancing of trade more than offsetting increased domestic production suggests that the level of inventory built up in 2018 may have reduced, and this may have supported the slight price lift since late October.
- In the seven weeks after protests ended in the Irish Republic, 7,300 more prime cattle were processed than in the same period of 2018 (+3.6%). However, given the 66,900 head reduction in the previous eight weeks, it suggests that a significant backlog remains, even if supply was expected to tighten towards the year-end.
- After a brief 2% lift in the Irish market after slaughtering returned to normal at the end of September, prices have cooled, returning to their August to early September range, ending October at €3.44/kg for an R3 grade steer. This left them trailing 2018 by 6.2% in euro terms. However, recent currency movements mean that they have fallen 8.7% behind 2018 levels in sterling and placed them 13% below Scottish levels. In the second week of October, these numbers had been 3.8% and 9% respectively.
- Challenging market conditions run wider than the British Isles, with EU average farmgate prices trailing 2018 levels by 3-5%. This is despite tight supplies and a favourable movement in the balance of trade, signalling oversupply relative to demand. Furthermore, while the EU market for hides is reported to have stabilised in recent months, it remains weak, with the lower end of the market under significant pressure.

# Cattle Charts

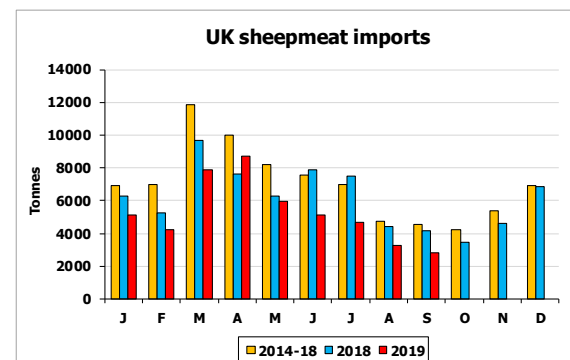
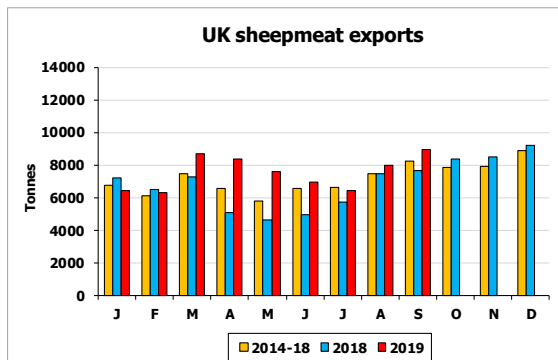
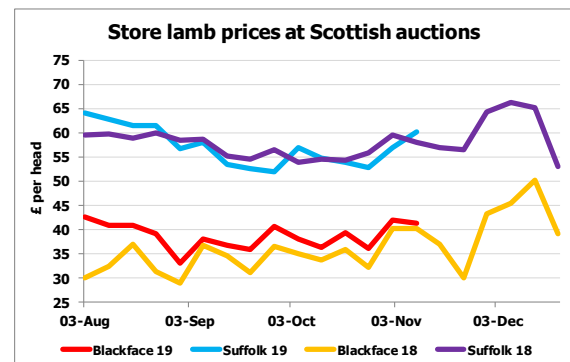
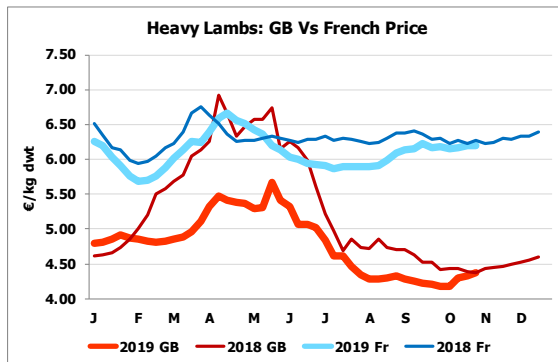
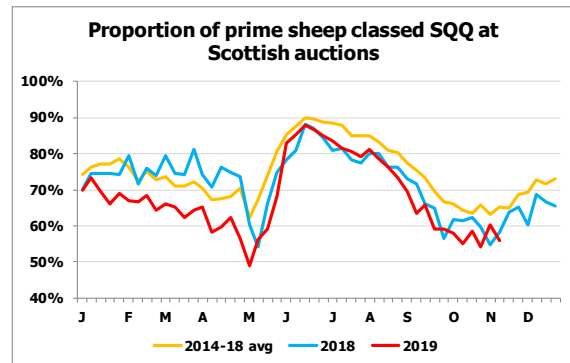
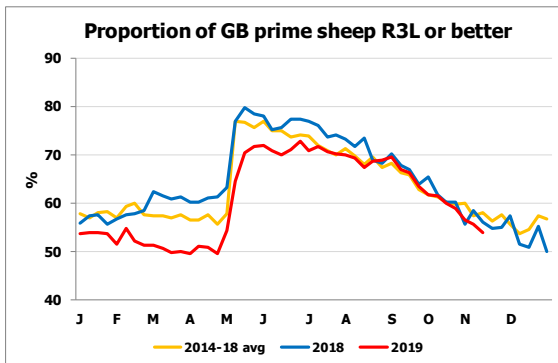
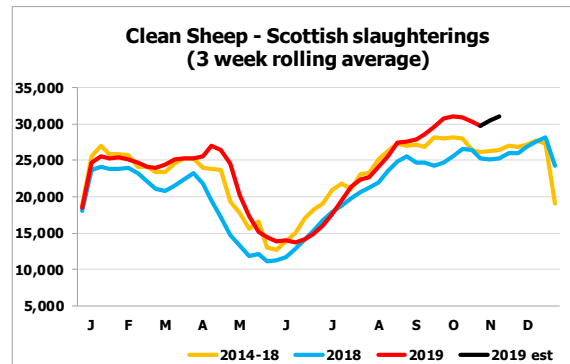
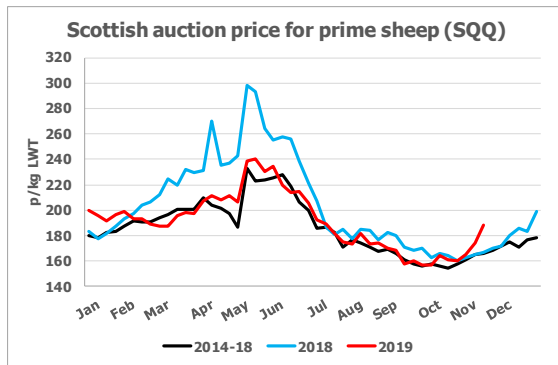


## ***Sheep Update***

- At price reporting GB abattoirs, Standard Quality Quotation (SQQ – 12-21.5kg dwt) lambs fell to a season-to-date low of 371p/kg in the first half of October. After ending the month at a 7-week high of 377p/kg, prices climbed to 390p/kg in the first week of November. This was their highest since late August.
- Deadweight prices had traded 7-8% lower than last year through August and September, with the deficit narrowing through October from 5% to 2.5%. Moving into November and prices edged 0.7% ahead of 2018 – the first year-on-year increase since late January.
- The weekly average number of SQQ lambs processed by price reporting abattoirs fell 2.3% between September and October, before opening November at a 10-week low.
- Auction market prices fell to their lowest of the season earlier than the deadweight trade, slipping to 155p/kg in late September. In October, prices then fluctuated between 160-165p/kg, similar to 2018 levels. As November began, the market firmed, with lambs averaging 174p/kg. In the second week of the month, prices then surged to average 188p/kg, pushing them 12.6% above year earlier levels.
- Lamb marketings had been running at 17-20,000 head per week at Scottish auctions between mid-August and early November. After reaching their second highest of the season at the beginning of November they then reached a new peak in the second week of the month (22,500 head). In the four weeks to November 13<sup>th</sup>, sales ran 22% above 2018, with numbers up 6.3% at GB level.
- Carcase quality has continued to slide seasonally at GB price reporting abattoirs into November. After a tenth straight week of declines, 53.9% of lambs graded at R3L or better, compared to 61.6% in early October and 67% at the beginning of September. Quality averaged 1.3 percentage points lower than last year in the four weeks to November 9th.
- At Scottish auctions, the proportion of lambs within the SQQ weight range of 25.5-45.5kg lwt fell to its seasonal low in October, slipping to 56.4% compared to a high of around 86% in June. However, the proportion did average slightly higher again in the first half of November (58.4%). In October 2018, the proportion had averaged 61%, before dipping back to 56% in the first half of November.
- With the Brexit deadline extended to the end of January, the sterling exchange rate has risen to its strongest since May and around 2% above year earlier levels. This does not appear to have put downwards pressure on lamb prices so it may be that this has been offset by the improved outlook for export demand in late 2019.
- In October, weekly average prime sheep slaughter at UK abattoirs showed a seasonal lift of 5.5% from September. This was smaller than the rise a year earlier, meaning the year-on-year increase dropped back to 1.7% from September's 7.3%. Higher carcase weights continued to boost lamb output, which rose 2.3% on 2018.
- Total UK sheepmeat production grew by an estimated 2.5% on October 2018, with the ewe kill and carcase weights rising at a slightly faster pace than for lambs.

- Weekly lamb slaughter at Scottish abattoirs reached a season-to-date peak in the first week of October (31,500 head) before trending slightly lower again. During October, numbers remained significantly higher than last year, up 18%. At 20.3kg, carcase weights edged up from September but remained lower than last year, down 1.4%.
- Given estimated June lamb crops up 3.7% year-on-year in Scotland but down 1.5% in England, supplies are expected to tighten later in the season.
- Store lamb prices spent most of October in a similar range to September, averaging £44-47. After firming to £49.27 in the final week of the month, prices then opened November at an 11-week high of £53.43. Weekly marketings were 45% lower through October than in the previous month, but remained well ahead of 2018, up 25%. Blackface lambs opened November at £41.43, Cheviots £52.72 and Suffolks £60.22.
- After a strong start to the summer, retail sales data from Kantar Worldpanel indicates that GB household spending on fresh and frozen lamb came under pressure in August and September, falling by 2.8% year-on-year in the 12 weeks to October 6<sup>th</sup>. With average prices up by around 1.5%, sales volumes declined by 4.2%.
- Although year-on-year growth in UK sheepmeat exports slowed in the third quarter of 2019 (Q3) it remained strong at almost 11.8%. In September, exports to France (+8%) and Germany (+2.8%) rose more slowly than the lift in exports to the EU as a whole (+9.1%).
- Sheepmeat imports to the UK continued to trend seasonally lower in September and, during Q3 as a whole, were almost 40% below their Q1 peak. Imports continued to fall well short of 2018 levels, down by one-third. The volume imported from NZ was 48% lower than last year in September while imports from Australia fell 14%.
- NZ's 2019 lamb crop is now reaching the market and farmgate prices have opened 2019/20 at their highest levels of the 21<sup>st</sup> century. In both the North and South Islands, prices traded at NZD 9/kg in early November, making them equivalent to almost £4.50/kg. Until recently, a rising sterling had kept NZ farmgate prices relatively stable in the 420-430p/kg region despite steadily increasing in local currency. As November began, prices were up 15% on last year in NZD and by 11% in sterling.
- With Beef + Lamb NZ forecasting a 2.4% decline in lamb slaughter in 2019/20, supply is likely to continue placing upwards pressure on farmgate prices in NZ, particularly given the strength of demand for protein in China – NZ's principal export market.
- French lamb prices have been relatively stable since rising for a month until mid-September. At the end of October, they sold for €6.19/kg (£5.34/kg). Though around 5% above summer levels, the market has remained 1-2% behind 2018.
- Irish lamb prices steadied at around the €4.05/kg (£3.49/kg) mark in October, down 1% from September, 7% from July and August, and by 4% on the year.
- Light lamb prices have been trending higher in Spain since mid-July and the market reached its second highest level of the year-to-date at the end of October, clearing at €5.85/kg (£5.05/kg). Given that prices had cooled last autumn, the year-on-year decline narrowed from a peak of 14% in late August down to less than 2.5% in late October.

# Sheep Charts



## ***Pigs Update***

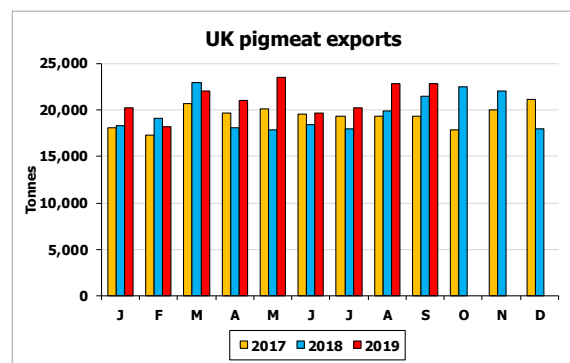
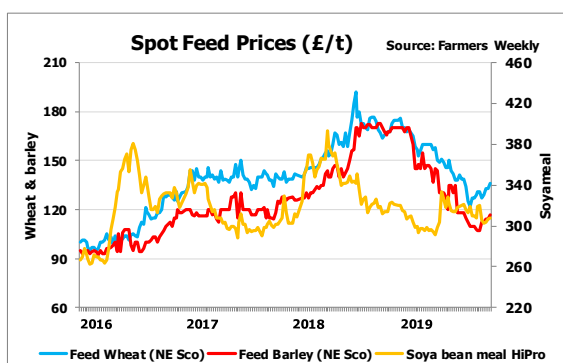
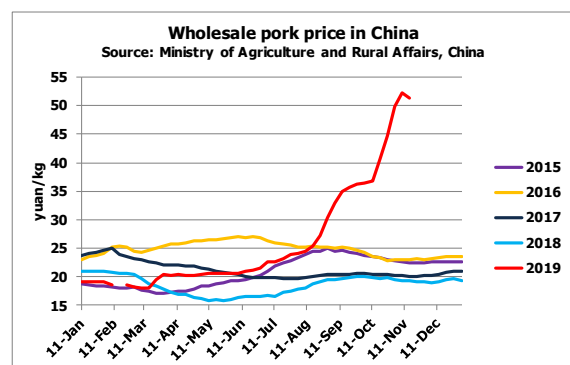
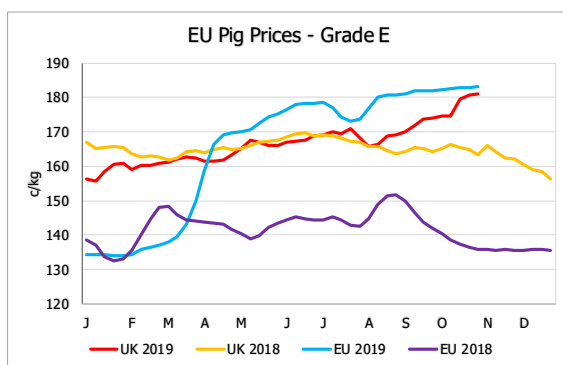
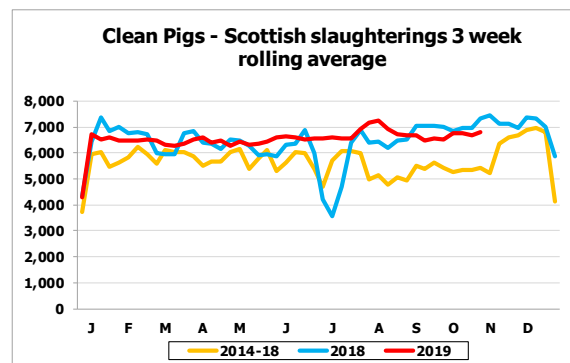
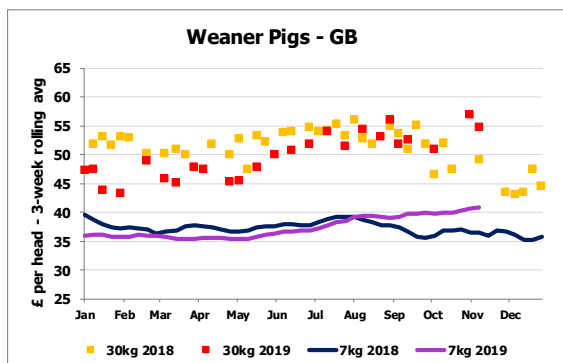
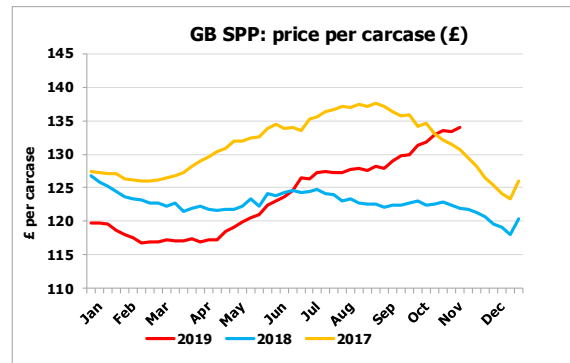
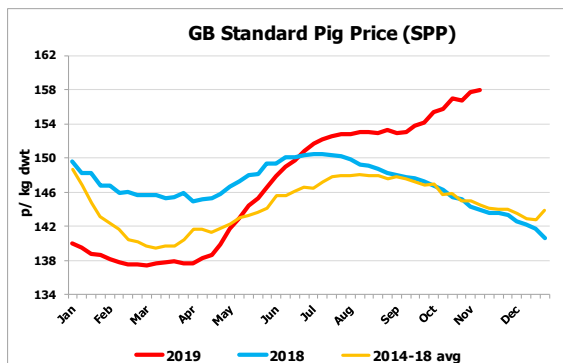
- Since steadying between late July and mid-September, the GB Standard Pig Price (SPP) has risen strongly, against the historic downwards seasonal trend.
- This unusual trend in 2019, driven by strong import demand in Asia, has seen the SPP rise from 153p/kg in September to 158p/kg in the first week of November. Over this period, the year-on-year increase has risen from 4% to nearly 10%.
- Weekly slaughter at GB price reporting abattoirs rose seasonally through October and into November, reaching a 30-week high of 86,900 head in the week to November 9th. This was up 7.7% on the May to September average.
- Carcase weights have also risen seasonally, averaging 84.8kg in the four weeks to November 9<sup>th</sup>, up from 84.2kg in September and an average of 83.5kg between May and August.
- Defra UK slaughter statistics indicate that the weekly average kill of prime pigs rose 7.8% between September and October. This saw them run 3.9% above year earlier levels. However, sow slaughter continued to fall short of 2018 levels, down 9%. Although weekly slaughter rose by 1.9% from September at Scottish abattoirs, to 6,730 head, it still fell 5.2% short of the same month in 2018.
- The average carcase weight at UK abattoirs rose by 0.9kg between September and October to reach a seven-month high of 85.5kg. This saw it exceed year earlier levels by 1.5kg (1.8%), pushing up UK prime pigmeat production by 5.8% year-on-year. With sow meat production falling, total pigmeat output rose by 5.1% on a year earlier.
- In the first week of November, the average carcase price reached a 25-month high of £133.93 at reporting abattoirs, placing it up 1.6% on the month and 9.8% above year earlier levels.
- After a brief period of stability in late summer at around £39 per head, 7kg weaner values rose have edged higher since September, pushing towards the £41 per head mark. This has held their value at around 30.5% of the carcase price.
- The latest retail sales data from Kantar Worldpanel points to a weakening of the pork market relative to 2018 in the 12 weeks to October 6<sup>th</sup> with household spending dropping by 2.3%. However, price cuts meant that the volume sold fell more marginally. Demand for pork steaks came under particular pressure.
- GB shoppers' interest in bacon continued to soften. Spending fell by more than 3% on a year earlier and higher prices meant that sales volumes fell by more than 6%. However, spending on sliced cooked meats stabilised and there was a small uplift for sausages; although higher prices meant volume declines of 2-3%.
- UK pigmeat imports rose strongly from 2018 during Q1 but have fallen back significantly since and were 5.8% lower in Q3. Exports have been strong since April and grew 11.1% in Q3.
- UK pork exports to China/Hong Kong reached a 2019-to-date high in September, exceeding their January to August average by 29%. At 7,900t, 36.9% of UK exports

went there, compared to 23.1% in September 2018 and 32.2% in the first nine months of 2019. Whereas exports to China/Hong Kong showed year-on-year growth of 74% in September, sales to all other destinations actually declined 10.8%.

- Following a stable September, when stocks of frozen pork were released on to the market ahead of national celebrations, wholesale pork prices in China surged by around 40% during October. However, moving into November, market conditions changed, with prices edging downwards in the first week of the month. Nevertheless, at an average of 51 yuan/kg (£5.74/kg), prices were still 2.7 times year earlier levels.
- The Chinese Government reported a 41% year-on-year decline in pig numbers in September and with China previously thought to be home to around half of the world's pigs, this points to a 20% drop in the global herd. In response to tight supply, China's pork imports climbed by more than 40% in the first eight months of 2019, with imports of other proteins, including beef, lamb, milk powder and seafood also growing strongly.
- EU exports of pork to China/Hong Kong rose by nearly 70% year-on-year in the June to August period of 2019, though they did fall short of their 2016 peak. Sales of processed pigmeat, fats and offals also rose considerably.
- The EU average price for grade E carcasses has been edging higher since mid-August, rising €3/kg over a twelve-week period to end October at €1.83/kg (158p/kg). This is its highest since late September 2013. The rise against the autumn seasonal downwards trend has seen EU prices move further in front of 2018 levels, going from around 28% higher in late September to 35% higher at the end of October. In addition to strong export demand, EU pigmeat production has fallen slightly relative to 2018.
- A price forecast for the key German market suggests that 12 weeks of stability have ended, with prices lifting strongly in mid-November.
- The mid-October rise in sterling of around 3% has seen the EU price lead over the UK average trimmed from 4.5% down to 1.2%. Nevertheless, in the autumn of 2018, UK prices had averaged around a fifth above the EU average.
- Wheat traded at £136/t in North East Scotland in on November 13<sup>th</sup> while barley sold for £117. At these levels, grain is around 6-7% dearer than at its September low but still around a fifth cheaper than last year for wheat and a third lower for barley. Year-on-year price falls reflect a well-supplied global market and a good UK harvest. However, a slow harvest in the USA coupled with drought conditions in Argentina and Australia have seen the market bounce from its low.
- Imported soyameal has become cheaper since mid-October, supported by a rise in sterling. Prices eased to around the £305/t level in late October before edging slightly higher in November, trading at £308/t in the middle of the month. Nevertheless, this compares to an average of around £315/t in the third quarter of 2019. Although slightly above the 2019-to-date lows of the spring, reflecting a smaller US soyabean crop, poor harvesting weather there, and the potential for China to raise imports from the US again following trade talks, soyameal has still been trading approximately 2% cheaper than last year in November.



# Pig Charts



## ***Business Environment***

### **Economic Activity:**

Purchasing Managers Index (PMI) surveys from Markit Economics indicate that the UK economy continued to contract slightly in October, though at a slightly reduced rate from September. With an index score of 50 indicating no change, service sector output stabilised, having edged lower in September (49.5). Manufacturing (49.6) and construction (44.2) both showed a sixth month of falling output, but the pace eased, with manufacturing's being the smallest over this period, linked to some temporarily higher production for stock-building ahead of October 31<sup>st</sup>. Brexit-related uncertainty reportedly led to weak demand from home and overseas with businesses focussing on existing orders and contracts. Worryingly, the further softening of new orders led to reduced staffing requirements.

### **Inflation-adjusted Earnings:**

CPIH, the most comprehensive measure of consumer price inflation published by the ONS, has fallen since the summer, slipping to a 35-month low of 1.5% in October. Meat prices rose at a below average pace, with beef, pork and poultry all 2-3% cheaper than last year. Meanwhile, ONS data has indicated average earnings growth in the UK of 3.5-4% year-on-year since last autumn, rising 3.6% in the three months to September. With wage growth running ahead of the rise in the cost of living by around 2%, household spending power should, in theory, be increasing, underpinning consumer spending. However, growth in the value of retail sales has been trending lower since the spring, dipping to 3.3% in October.

### **Consumer Confidence**

Despite favourable developments in wages, the monthly consumer confidence survey carried out by GfK NOP indicates a low degree of confidence amongst UK households. The index score edged slipped back to -14 in October but was last in positive territory back in early 2016. However, the different components that make up the overall index score show that most of the pessimism is down to a perception that the UK economy is in a weak position, with confidence around personal finances more balanced between optimism and pessimism.

### **Labour Market:**

ONS figures indicate that the number of people employed in the UK has stabilised since the spring following a prolonged upwards trend. Nevertheless, total employment was still 0.9% above year earlier levels in the July to September quarter.

### **Exchange Rates:**

	<b>w/e 10/11/19</b>	<b>October 2019</b>	<b>w/e 11/11/18</b>	<b>October 2018</b>
€:£	86.2p	87.5p	87.3p	88.3p
\$.£	77.8p	79.1p	76.5p	76.9p
NZD:£	49.6p	51.4p	51.5p	50.5p

Sterling rose in value in mid-October against a range of currencies after the potential for a no deal Brexit decreased. Since then it has continued to edge higher, with an orderly UK withdrawal becoming more likely.

While the euro and NZD face downwards pressure from weak economic sentiment and looser monetary policy, the US dollar has held firm despite lower US interest rates due to its safe-haven status at a time of heightened global economic uncertainty.

**Iain Macdonald, November 2019**