



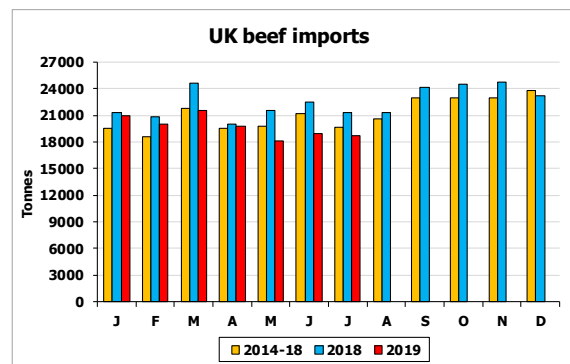
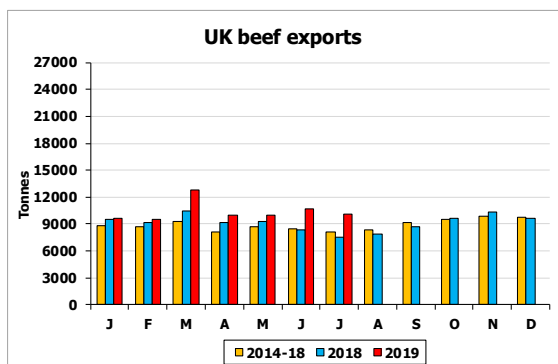
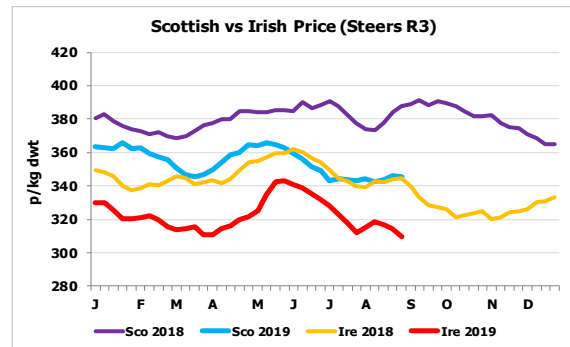
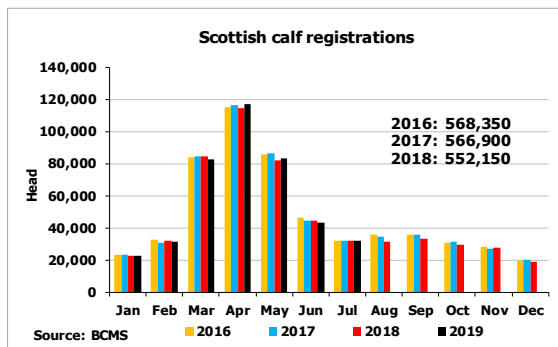
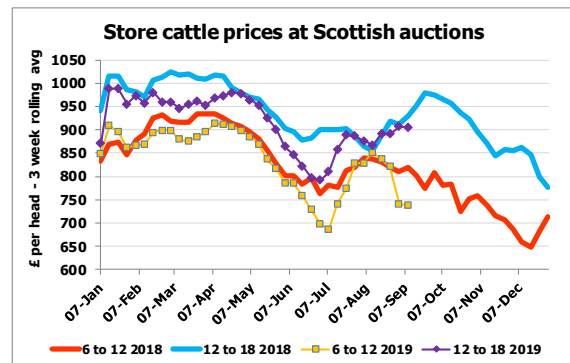
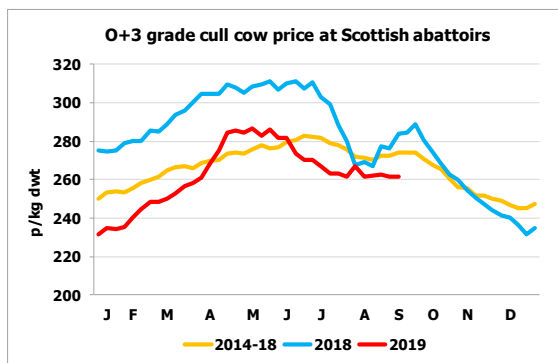
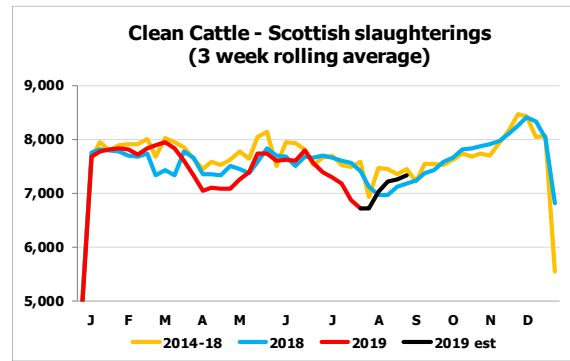
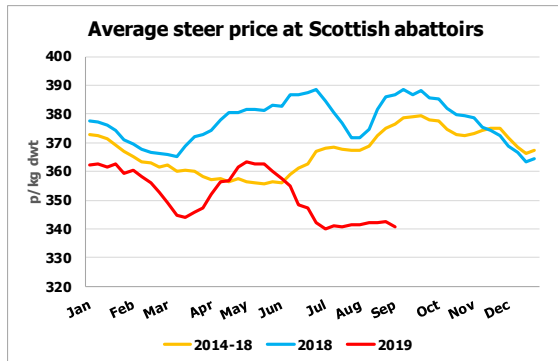
MARKET REPORT - September 2019

Cattle Update

- After edging higher for most of August the overall average prime cattle price at reporting Scottish abattoirs fell marginally in late August and by another 1.4p as September began. This left it at a 4-week low of 339.7p/kg, just 0.9% above its summer low point. R4L steers have ranged between 346-350p/kg since the beginning of July, slipping to the lower end of this band at the beginning of September. Prices have fallen further behind 2018 levels, as the market had risen strongly through August and into September last year. As September began, both the overall average and the average price for R4L steers trailed 2018 by 12%.
- Cow prices have been on a stable trend since mid-July. The O+3 grade price began September at 262p/kg, unchanged from early August but 7.8% behind 2018.
- Scottish prime cattle prices averaged 6.1% above the average for England & Wales in the first week of September – not far from the 2019-to-date peak of 6.3%. The R4L price premium for Scotland over E&W was 12.7p (3.8%) at the beginning of September, broadly in line with its average since May. For the first time since March, -U4L steers averaged slightly higher than R4L steers on a price per kilo basis.
- Weekly slaughter at price reporting abattoirs recovered from its July low during August, running 2.7% higher. Compared to a year earlier, slaughter climbed by 4.4%. Slaughter rose 8.7% in the first week of September, reaching an 11-week high.
- Prime cattle slaughter numbers across all Scottish abattoirs only edged 0.3% above year earlier levels in August, well below the increase at price reporting plants (which accounted for 90% of the prime kill in the first seven months of 2019). Steers were unchanged and young bulls down by 0.4% but the heifer kill rose 0.9%. Young bulls fell from their seasonal peak, accounting for 12.5% of the prime kill compared to 16.9% in July, 13.2% in June, and a year-to-date average of 8.7%.
- Meanwhile, 21% fewer cows were processed by Scottish abattoirs than in August 2018. This compares to a 3.4% decline at price reporting plants (which accounted for 57% of the total cow kill between January and July 2019).
- After a slight fall in July, UK beef production returned to year-on-year growth in August, running 2.7% above the same month of 2018. A 1.9% lift in prime production, driven purely by higher carcase weights, was added to by a return to growth in cow beef, up 6%. In the first eight months of 2019, UK production rose 1.1% from 2018.
- Having fallen 2.6% in 2018, BCMS data shows that Scottish calf registrations stabilised relative to last year in the first seven months. Beef-sired registrations increased by 0.5%. At GB level, registrations declined by another 0.7%, having fallen 1.8% in 2018.

- After a strong recovery in July, store cattle prices proved volatile in August. On average, 6-12-month steers sold for £807 per head during the month but ended it at £634. Meanwhile, 12-18-month steers averaged £900 and ended it at £943. Average prices were down by 1-1.5% on August 2018. Volatility continued into September with the first week of major autumn sales seeing the younger group average £780 and the older group £906. These were respective year-on-year declines of 6.5% and 8%.
- During August, purchase prices for younger steers averaged 62.3% of the estimated steer carcass price (£1,296) with 12-18-month steers trading at 69.4% of it.
- GB retail sales data from Kantar Worldpanel indicates year-on-year spending growth on fresh and frozen beef of 2.4% in the 12 weeks to August 11th. Sales volumes rose by 4.8%, with price cuts driving sales. Promotional activity on mince underpinned the overall beef retail market, with a trend towards leaner mince continuing. However, burger sales did fall by 6.6% in value and by 8.7% in volume.
- IGD research carried out this summer indicates that while an increased share of UK shoppers are interested in following vegan and vegetarian diets, mostly driven by environmental concerns, there has been no change in the proportion of shoppers that are actually following these diets. However, flexitarianism has seen growth, with 23% claiming to be following some or all of the time, up from 19% last year, mostly from occasional flexitarians, suggesting there has been a small increase in 'meat-reducers'.
- Provisional UK trade data for July continued to point towards rising exports but falling imports, with the former up 33.8% and the latter down 12.2%. In the January to July period, net imports fell 23,100 tonnes (26.1%) from 2018. Over this period, export growth has been underpinned by non-EU markets, taking them from an 11.9% share of exports between January and July 2018 to a 19.6% share in 2019.
- Total beef supply on the UK market is estimated to have risen by another 3% last year and high inventory levels may help explain the general weakness of the beef market since the second half of 2018. It may also help explain why the market has proved so weak this summer despite higher retail sales at home and a favourable change in the balance of trade offsetting a small increase in domestic production.
- Irish prices have fallen 12% since reaching their seasonal peak in May. From €3.89/kg in the week ending May 26, the Irish R3 grade steer slipped to €3.42/kg by the end of August. This left prices at their lowest since autumn 2011 and 10.5% below the same week of 2018. In sterling, they were down 10.1% year-on-year at 310p/kg dwt.
- After two weeks of disruption in early August due to protests by beef farmers, cattle slaughter in the Irish Republic appeared to have recovered in the week ending August 18th. That week's kill came close to the 2019-to-date peak, signalling an effort to reduce the backlog of slaughter-ready cattle. However, the kill fell back to a more normal seasonal level in the week ending August 25 and declined by 12% and then 26.5% in the next two weeks. Over the six weeks to September 8th, prime slaughter trailed 2018 by 15% and the total kill was down by 19%. As a result, there will undoubtedly be a backlog of slaughter-ready cattle, with the potential for some animals to now be out-of-spec. LMCNI reported that in the final week of August only 72 cattle were imported from the Irish Republic directly to NI abattoirs and that 66 moved in the opposite direction. Live exports from RoI to GB also appear to have remained at a relatively low level.

Cattle Charts

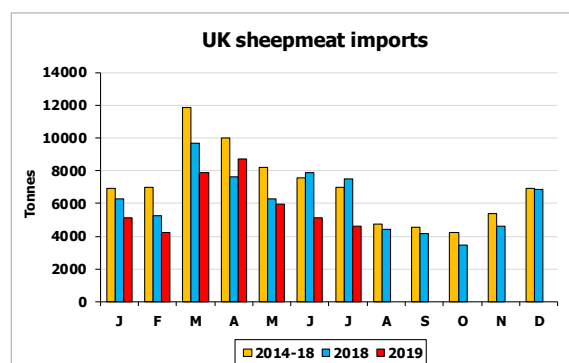
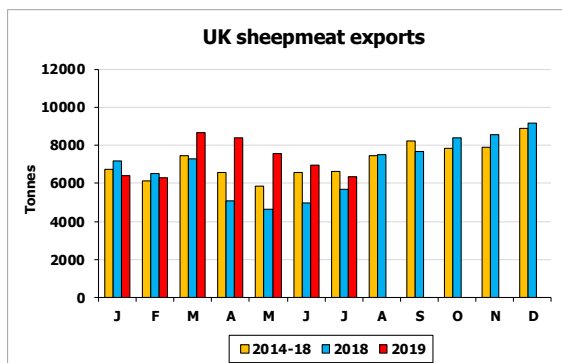
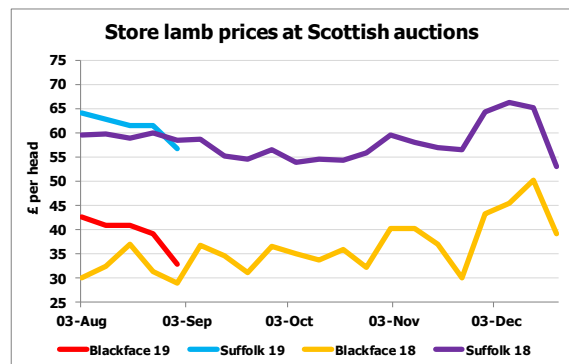
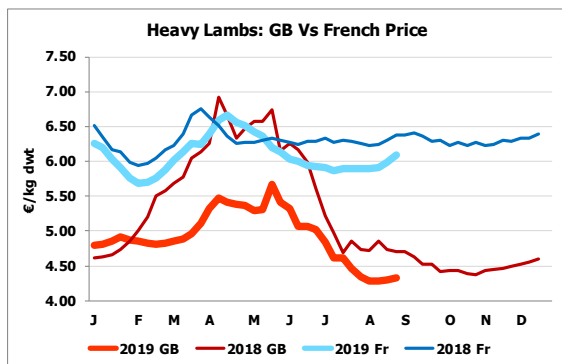
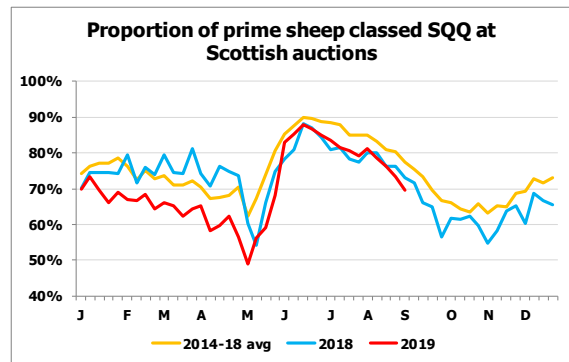
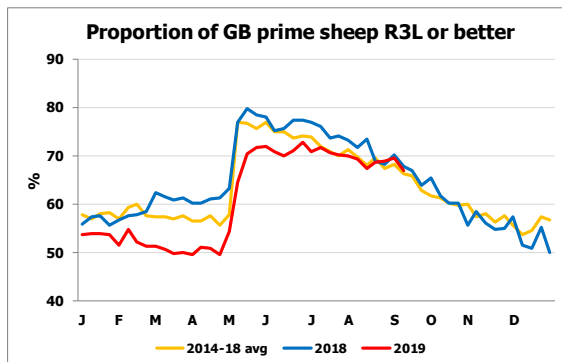
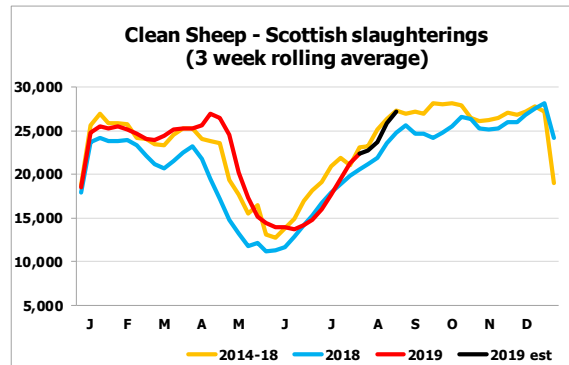
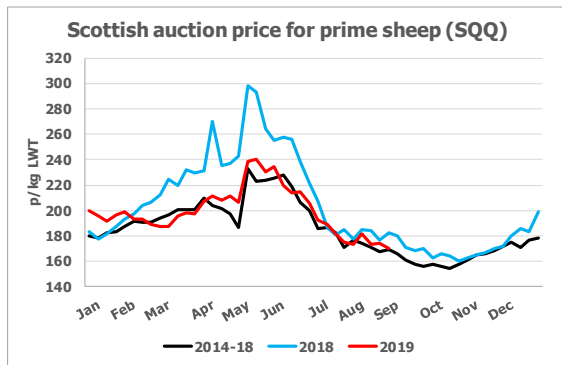


Sheep Update

- While new season lamb prices have been facing downwards seasonal pressure, prices have been only edging lower since late July at price reporting GB abattoirs. In the final week of August, lambs averaged 391p/kg dwt. While 122p (24%) below the new season peak, this was only 1% below the week ending August 3rd. Weekly slaughter surged in the first full week of August, reflecting peak demand for the Eid al-Adha festival. Since then, numbers have remained below this peak, but have trended higher and risen well above July levels. In late August, prices trailed 2018 by 7.7%.
- At the turn of September, new season lamb prices slumped to their lowest level of the 2019/20 season so far at Scottish auctions, averaging 168p/kg lwt. Prices fell as the week progressed, trading at 161p/kg on Wednesday September 4th. Lower prices reflect a further lift in marketings, which have been trending higher consistently since May and have continued to exceed 2018 levels by a significant margin. At this level, the market cleared 6.4% lower than last year.
- In the four weeks to September 4th, lamb marketings at Scottish auctions sales were nearly a quarter above year earlier levels. At GB level, numbers slipped back by around 2% on 2018, but the number to compare against was boosted by the pre-Eid al-Adha peak in demand in 2018. During the three weeks to September 4th, thereby excluding the Eid-effect, GB marketings rose by 8% on 2018.
- Although carcase quality fell at price reporting GB abattoirs between July and August, it did trend higher through August, reaching a five-week high in the final week of the month. This upwards trend followed Eid al-Adha, which had resulted in a rise in slaughter numbers and drop in quality in the week to August 10th. In the four weeks to August 31st, 68.6% graded at R3L or better, down from 70.3% in July and from 70.1% last year. However, the gap to last year had almost disappeared in late August.
- At Scottish auctions, the proportion of lambs within the SQQ weight range of 25.5-45.5kg lwt had been slightly above last year's levels between June and early August. However, this changed as August progressed with the proportion of heavy lambs ending the month 3-4 percentage points above 2018 levels at around 30%. This left it well above the five-year average of around 20% for this time of year. At the new season peak in June, 10-15% of lambs had been outside the SQQ weight range.
- Although off its mid-August lows, the historically weak sterling continues to boost export competitiveness and export orders in the short-term.
- Weekly average prime sheep slaughter at UK abattoirs picked up seasonally in August. However, slaughter fell back behind 2018 levels by 1% having grown by around 5% in June and July. However, this decrease was offset by higher carcase weights, meaning production volumes edged up by 0.2%.
- Ewe slaughter at UK abattoirs has been consistently higher than last year in 2019 and August was no exception, up 5.4%. Once slightly heavier higher carcase weights have been factored in, production rose 6%.
- Adding together the marginal lift in prime sheepmeat output and higher mature sheep production, total UK sheepmeat production grew by an estimated 1.1% on August 2018.

- Contrasting with developments at the UK level, Scottish abattoirs continued to handle more prime sheep than a year earlier in August. Slaughter numbers grew by an estimated 9.7% and were at a five-year high for the month.
- During August, store lambs sold for an average price of £52.93 which was a year-on-year increase of 2.1%. After a firm start to the store lamb trade, prices cooled in the final week of August, slipping to £47.78. However, they then firmed slightly to £48.98 in early September. Blackface lambs remained significantly more expensive than in 2018 but Suffolk values dipped behind 2018 levels in late August and early September.
- Although the number of store lambs traded during August exceeded year earlier levels by 17%, this was still 3.1% below August 2017.
- Retail sales data from Kantar Worldpanel for the 12 weeks to August 11th reflect the better availability of home-produced lamb than in 2018, with GB households spending 6.8% more money and securing 7.3% more lamb. On average, lamb was around 0.5% cheaper to buy than in the same period of 2018, providing further support to sale volumes. Steaks, roasts and mince are all reported to have performed well.
- After a slow start to 2019, UK sheepmeat exports rose strongly relative to last year each month between March and July, reflecting increased supply. Provisional volumes for July rose 11.3% year-on-year, with year-to-date exports up 22.4%. Exports to Germany continued to underpin overall growth but sales to France fell 1.7%.
- Monthly sheepmeat imports fell short of year earlier levels for the sixth time in 2019 during July. Volumes were 38.7% lower, taking the year-to-date decline to 17.6%. The volume imported from NZ was 46.3% lower than last year while imports from Australia fell 38.3%; imports from both sources have been 22-23% lower in the year-to-date.
- NZ slaughter continued to slide seasonally and fall significantly relative to last year in July (-10.6%). However, higher carcase weights meant that production reduced by a slightly slower rate of -7.6%. With slaughter approaching its seasonal low point, prices have firmed to the equivalent of around £4.30/kg on the South Island. However, NZ prices have been tracking 1-2% below year earlier levels since May.
- Farmgate prices in France picked up strongly in late August after a period of stability. This may have reflected a demand-side boost from the end of the holiday season. Heavy lambs traded at a 13-week high of €6.09/kg in the last week of August. Though 3.2% above the mid-June to mid-August average, this was still a year-on-year shortfall of 4.5%.
- After a short-lived recovery in the first full week of August, likely driven by demand for Eid al-Adha, Irish lamb prices fell back to end the month at their lowest of the season-to-date. At €4.12/kg (£3.70/kg), Irish prices were around 5% below the GB average.
- Light lamb prices have been trending higher in Spain since mid-July. In the final week of August, the market cleared at a 14-week high of €5.39/kg (£4.83/kg) in Spain but this still left them 14.4% lower than last year.

Sheep Charts

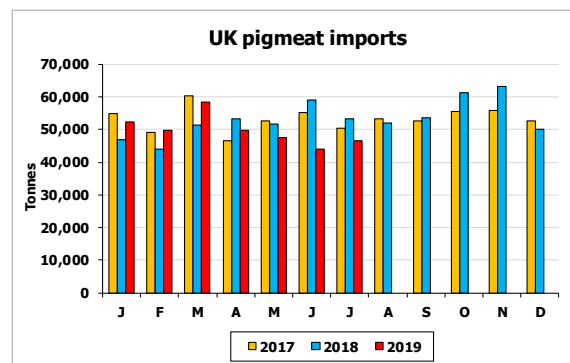
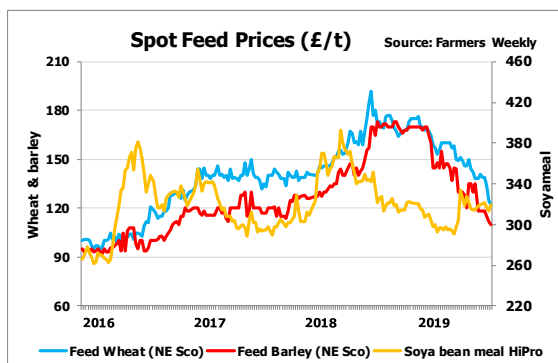
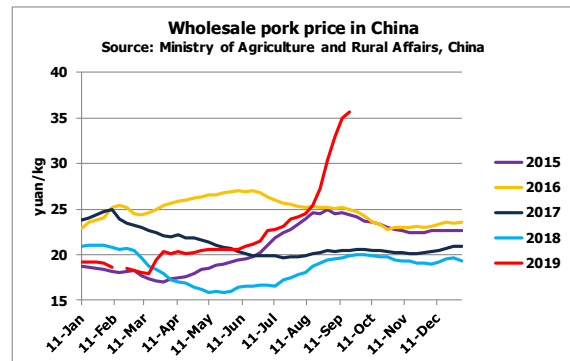
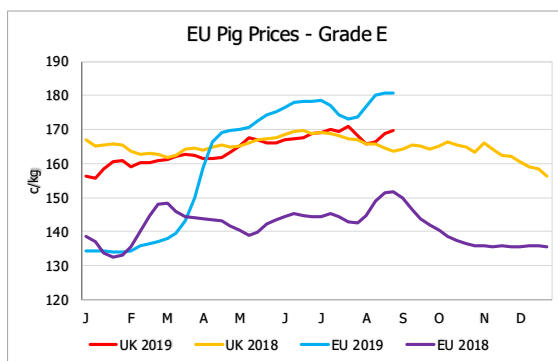
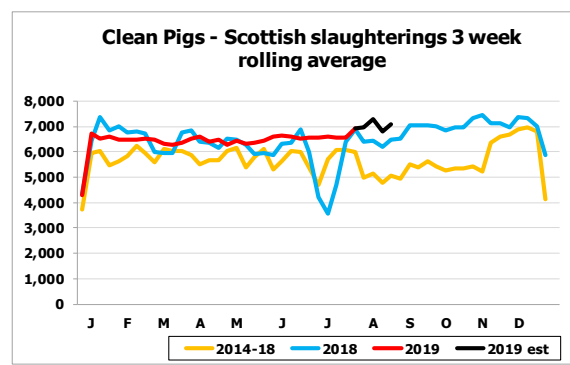
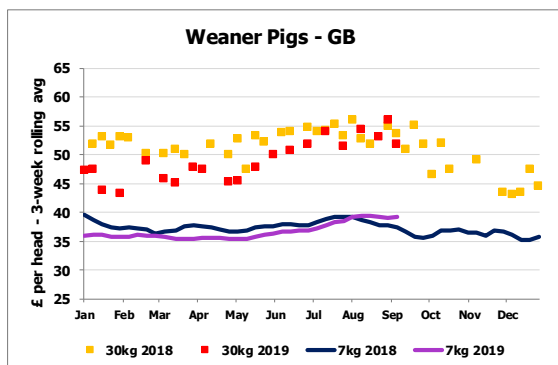
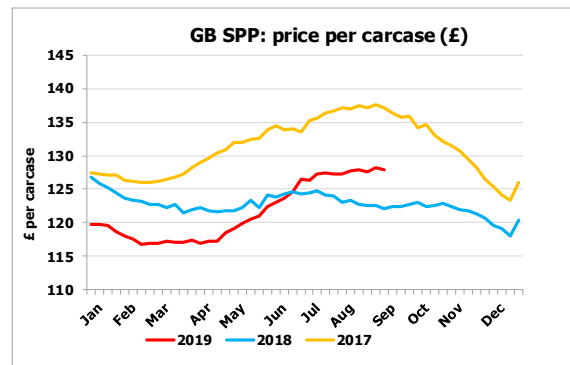
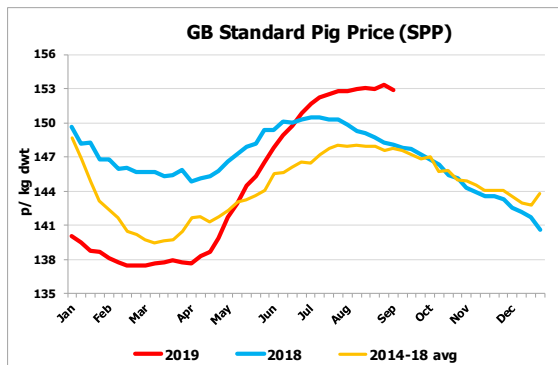


Pigs Update

- Historically, July and August have been the traditional seasonal turning point in the prime pig market as the seasonal balance between supply and demand changes, tending to place downwards pressure on farmgate prices. In 2019, prices continued to trend higher, though the pace did slow significantly from earlier in the summer.
- Average increases in the Standard Pig Price (SPP) of more than 1p/kg per week between late April and early July slowed to around 0.1p/kg in August.
- However, the SPP then fell by 0.4p at the beginning of September, leaving it at 152.9p/kg; a year-on-year increase of 3.3%.
- Weekly slaughter at GB price reporting abattoirs fell to its lowest level of the year in August, averaging approximately 79,000 head per week, down from around 81,000 head per week between May and July and an average of more than 85,000 head in the first third of the year. While carcase weights did edge up from June and July levels to average 83.5kg, they remained well below the 85.1kg average from the first third of the year.
- The opening week of September saw numbers recover to an 18-week high at price reporting plants, while carcase weights edged towards 83.7kg.
- Defra UK slaughter statistics for August indicate that the weekly prime pig kill rose to its highest level since January. However, it still fell 0.7% short of 2018 levels, not too far out-of-line with a year-to-date marginal increase. Sow slaughter was down by close to a fifth. At Scottish abattoirs, prime slaughter exceeded August 2018 by 9.9%.
- UK slaughter data reported a seasonal lift in carcase weights in August, returning to the level they had been at in May (84.2kg). They remained well above 2018 levels, pushing up UK production by 1.3% year-on-year.
- At price reporting abattoirs, higher carcase weights than last year saw the average carcase price rise 4.8% above 2018 levels to reach £127.92 in early September.
- 7kg weaner values followed the finished pig price higher between spring and summer, generally trading at around 30% of the final carcase price. The weaner trade has since firmed ahead of the finished trade, approaching 31% of the finished carcase price. Prices averaged £39.22 in the three weeks to September 7th.
- Earlier in the summer retail sales figures from Kantar Worldpanel had pointed to a weakening in demand for pork, with GB household spending falling around 5% short of year earlier levels. However, it appears that sales recovered in the mid-July to mid-August period, leaving overall spending flat on a year earlier in the 12 weeks to August 11th. Like with beef and lamb, average retail prices fell slightly, pushing up sales in volume terms (1.4%), with roasting joints and pork mince retailing well. Although spending on processed pork products like bacon, sausages and cured meats continued to fall (by a respective 3.5%, 0.2% and 5.9%), the rate of decline eased relative to that seen in the 12 weeks to mid-July. Average prices for these products were up marginally on 2018.

- After a strong first quarter, UK pigmeat imports have fallen sharply relative to 2018 since April, more than offsetting the earlier increases. Exports fell slightly in the first quarter but have risen since April. In July, imports were 12% below 2018 and 8% below their 5-year average while exports showed a year-on-year increase of 12% and were up 16% relative to their 2014-18 average for July.
- UK pork exports to China/Hong Kong peaked in absolute terms in April and May but still grew strongly year-on-year in June and July. In July, volumes delivered to China/Hong Kong rose 82% year-on-year while sales to all other destinations actually fell 1%. China accounted for 33% of total pork exports compared to 21% in July 2018.
- China's pigmeat supply shortage has resulted in surging wholesale pork prices since the beginning of August. However, the rate of increase has slowed from a peak of 11% in the third week of August down to 2% in the second week of September. In the second week of September, pork was 40% dearer than in early August, up 99% on its spring low, and by 80% on the year. It should be noted that prices have started to cool since the beginning of September in some northern provinces where supply has fallen to a lesser extent and demand has softened.
- The Chinese pork market is reflecting the sharp decline in China's pig population, reported at close to a third by Chinese Government statistics for July. China's pork imports climbed by more than a quarter in the first half of 2019, with imports of other proteins, including beef, lamb, milk powder and seafood also growing strongly. Wholesale prices for beef, lamb and chicken all rose by 5-10% during August, reflecting the general protein deficit caused by pork shortages.
- EU exports of pork to China/Hong Kong rose by nearly 70% year-on-year in Q2 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 fell through July but then recovered in the first half of August. Prices then steadied at around €1.81/kg (164p/kg) towards the end of the month, trading at their highest levels since 2013.
- Price forecasts for Germany suggest some slight upwards pressure on the market in early September. EU prices often approach their annual peak in late August or early September, reflecting peak holiday season demand and the impact of hot temperatures on pig growth rates during the summer.
- EU prices continued to average higher than those in the UK at the end of August, although a slight strengthening of sterling saw the difference narrow to 6.5% from a peak of over 8% in mid-August. By contrast, the same week last year had seen a lead of nearly 8% for the UK average.
- Feed grain prices eased during the first half of 2019 and have continued to fall through the summer. Feed wheat in North East Scotland dropped below £125/t in late August and early September while barley fell to £110/t. At these levels, grain is 25-35% cheaper than last year, reflecting a well-supplied global market and expectations that a good harvest is underway in the UK. However, imported soyameal has risen from its 2019-low point, trading at around £310-315/t, reflecting a smaller US crop and a weaker sterling. Nevertheless, soyameal has still been trading approximately 5% cheaper than last year.

Pig Charts



Business Environment

Economic Activity:

Purchasing Managers Index (PMI) surveys from Markit Economics indicate that the UK economy remained sluggish in August. At 50.6, the service sector showed weak expansion (>50 means business growth) whereas both manufacturing (48.0) and construction (45.3) contracted for the fourth consecutive month. A combined reading for the three sectors suggests overall stagnation or even slight decline in activity, broadly in line with the latest estimates of the UK economy by the Office for National Statistics (ONS) for the three months to July. Brexit-related uncertainty has reportedly put business spending on hold, while additional export demand from the weak sterling was offset by some reluctance to import from the UK. While services firms continued to add staff, manufacturers cut staff significantly.

Inflation-adjusted Earnings:

CPIH, the most comprehensive measure of consumer price inflation published by the ONS, edged up to 2.0% in July but held within its 2019-range of 1.8-2.0%. Meanwhile, ONS data has indicated that average earnings in the UK have been growing at around 3.5% year-on-year since last autumn, lifting to 3.7% in the three months to July. With wage growth running ahead of the rise in the cost of living by around 1.5-2%, household spending power should, in theory, be increasing, underpinning consumer spending.

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 dropped to -14 in August and 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 UK economy continued to add jobs at a year-on-year growth rate of around 1% in the May to July period. Employment has been growing at this pace for around three years. However, since the spring, growth in full-time roles has slowed while the increase in part-time roles has firmed.

Exchange Rates:

	w/e 6/9/19	August 2019	w/e 7/9/18	August 2018
€:£	90.2p	91.5p	89.9p	89.7p
\$:£	82.0p	82.3p	77.4p	77.6p
NZD:£	52.1p	53.0p	50.9p	51.8p

While the value of sterling has remained at an historically weak level, it has recovered from its early August low point against the euro, offsetting the recent gain in export competitiveness. This reflects a reduced probability of a no deal Brexit due to new legislation mandating the UK Government to request an extension of the UK's EU membership if a withdrawal agreement is not reached by October 19th. In general, the euro and NZ dollar have faced some downwards pressure from changes in monetary policy stance due to signs of softening economies. By contrast, the US dollar has firmed despite lower US interest rates due to its safe-haven status at a time of global economic uncertainty.

Iain Macdonald, September 2019