HCC Market Bulletin – January 2017

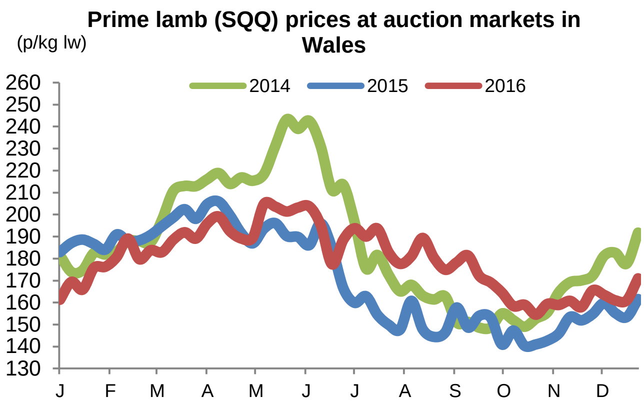
This month's Market Bulletin will look at the sheep market for 2016 and what we can expect for the next 12 months.

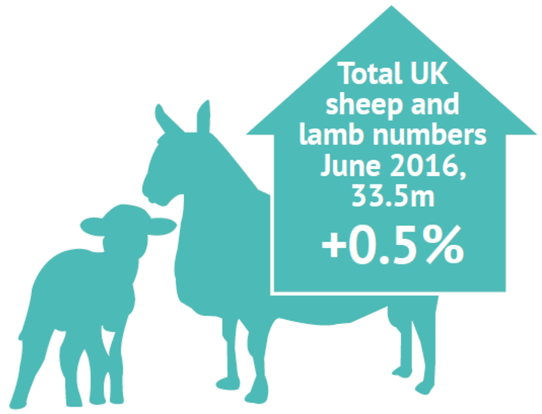
2016 started with lamb prices being below 2015 and 2014 levels. This was a continuation of the trading environment that was seen for most of the 2015 lamb crop as subdued consumer demand coupled with an unfavourable exchange rate made for a difficult market situation. For the first two months of the year lamb prices at Welsh auction markets gradually increased from 161p/kg to 183p/kg.

As numbers being brought forward eased there was some improvement in trade from March onwards with prices going continuously above 2015 levels in late April. Following this, prices remained ahead of the levels of the previous year while still never reaching the levels seen in 2014 as the early New Season Lamb trade began. By early June prices were hovering around the 200p/kg mark, at this level the market was some 10-15p above year earlier levels but over 30p below 2014 prices.

The significant trading event that happened in 2016 occurred in late June as the UK voted to leave the European Union in the referendum. This had an immediate impact on exchange rates with Sterling weakening against the Euro and other currencies. The dramatic change in exchange rate boosted the price for lamb with the liveweight (SQQ price at auction markets in Wales) rising from 177p/kg (w/e 18 June 2016) to 189p/ kg (w/e 25 June 2016) an increase of over 11p (6%). This occurred at a time when most would expect the market to decline as numbers being brought forward increased.

The effect of the EU referendum vote was felt for the remainder of the year as financial returns for exports increased when compared to the previous year; however some export markets, particularly France, remained difficult for UK exporters with regards volume sales as consumption pattern and retail purchasing policy weren't conducive. In fact for the year to October, export volumes sent to France were reported to be nearly 9% lower than 2015, while the value was marginally up highlighting the impact of the exchange rate changes. Looking forward it's difficult to see Sterling strengthening greatly in the next few months particularly as uncertainty continues regarding when the UK Government will trigger Article 50 and what trade agreements will be post-Brexit.





Most of the 2016 lamb crop season has been marked by lower carcase weights which would suggest that some producers struggled to finish their lambs, as total slaughterings of lambs in the UK were comparable if not slightly behind previous year levels. With the June survey data for the UK reporting that there was an increased lamb crop last year then it is likely that there will be an ample supply of lambs in the coming months especially as some processors look to lessen their kill numbers.

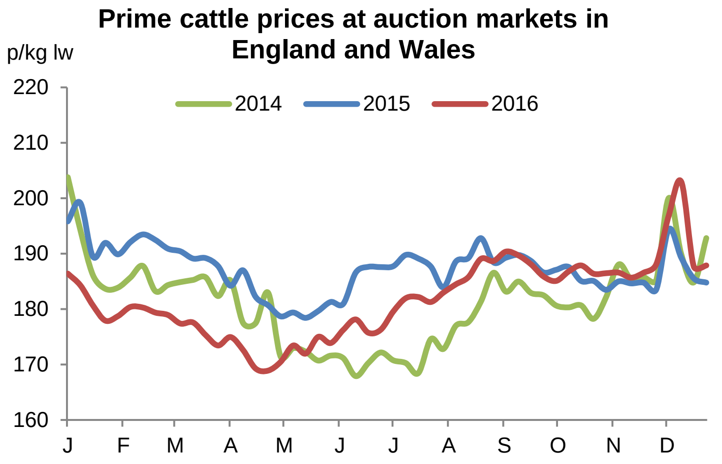
Throughout the autumn and winter months lamb prices remained above the price seen during the corresponding period in 2015, with the lowest price throughout this period being experienced towards the end of October when the supply of lambs was at its most abundant. At this point prices at auction markets in Wales averaged just below 155p/kg, still some 13p above the levels seen 12 months before.

Since the October period lamb prices have remained relatively static as processors and auction markets report stable numbers of finished lambs being presented. This has led to the supply/demand dynamic being somewhat in balance at a time when prices normally improve given less numbers on the market and an increased demand for the Christmas period.

Production Statistics

Cattle

Prices

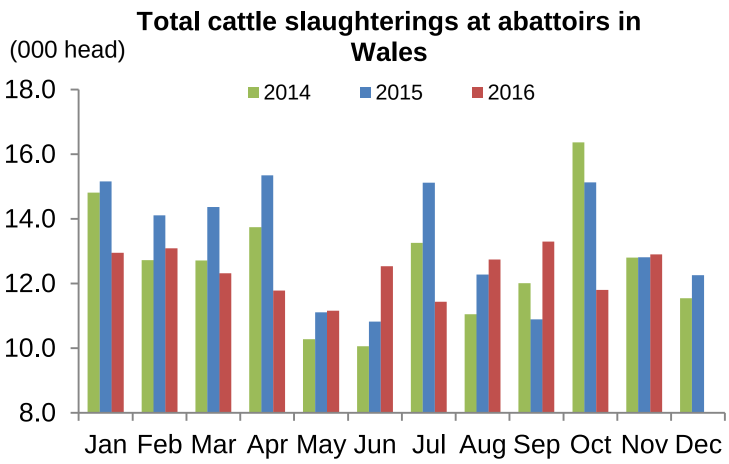


Prime cattle prices at auction markets in England and Wales varied greatly over the last month of 2016 following the usual seasonal increase in early December during the winter show period. The all prime average for week ending 07 January stood at 193.7 p/kg. This is an decrease of 6.9p on the previous week, when there was a considerably shortened week due to the holiday period.

The deadweight prime cattle trade increased over the last month. For the week ending 31 December the steer average price in England and Wales was 350.4p/kg. At this level prices were 1.6p above prices from the previous week and 3.7p higher than the levels seen during the last week of November. Steer prices are over 20p above the corresponding week of 2015. The trade for heifers and bulls during the last week both increased continuing the trend for the month. Deadweight prices in England and Wales for heifers increased by 1p on the week to 353.0p/kg, with young bull prices also increasing by almost 7p to average 323.2p/kg for the week ending 31 December. It should be noted that numbers going through abattoirs for the week were markedly less than the previous week given the shortened week.

Cull cow prices at England and Wales auction markets stood at 112.2p/kg for the week ending 31 December. The deadweight England and Wales cull cow price for the same week was 209.9p/kg, a 7.6p uplift. The numbers going through abattoirs was 25% down on the previous week.

Slaughterings



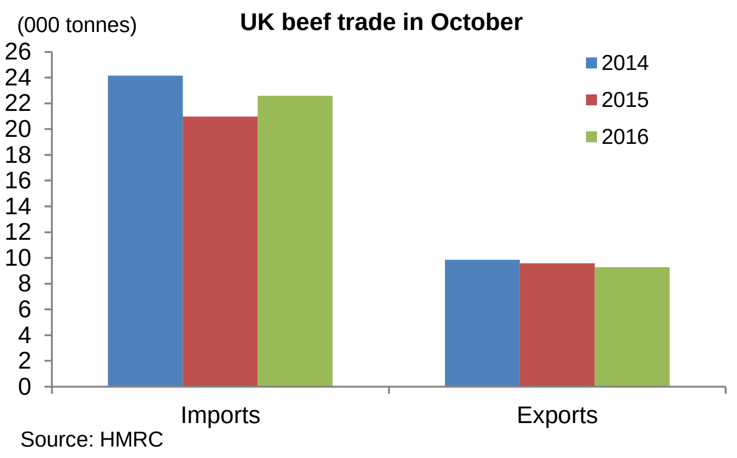
Source: DEFRA

Total cattle slaughterings at Welsh abattoirs during November stood at 12,900 head, while production for the month was reported to be 3,900 tonnes. Production and slaughtering from Welsh abattoirs continues to be lower than 2015. For the period January through to November, 136,000 cattle have gone through Welsh abattoirs, which compares to 147,200 in 2015, a decrease of 7.6%. Beef production for the year to November stood at 41,900 tonnes, nearly 4% less than that produced up to the same period last year.

Throughputs of prime cattle in UK abattoirs during November stood at 177,400 head, steers accounted for well over half of the prime animals in the slaughter category (92,500) with heifers standing at 67,600 head and young bulls at 17,200 head. As has been the pattern in recent months all of the three mentioned animals reported lighter carcase weights than the corresponding month a year earlier, with the largest fall associated with young bulls that stood at 318kg, a decline of close to 12kg. This resulted in overall production of beef from prime cattle for November totalling 61,400 thousand tonnes. From January to November, the total prime cattle slaughtering's at UK abattoirs stood at 1.8 million, a 2.5% increase (or 44,400 head) when compared to the same period last year.

Adult cattle slaughterings in the UK for November stood at 77,500 head. For the year to November total adult cattle slaughterings stand at 662,500 head, an increase of 9.7% on the same period in 2015. The increase has been strongly influenced by the increase in cull cow slaughtering's. Total beef production for the month of November stood at 85,150 tonnes.

Trade



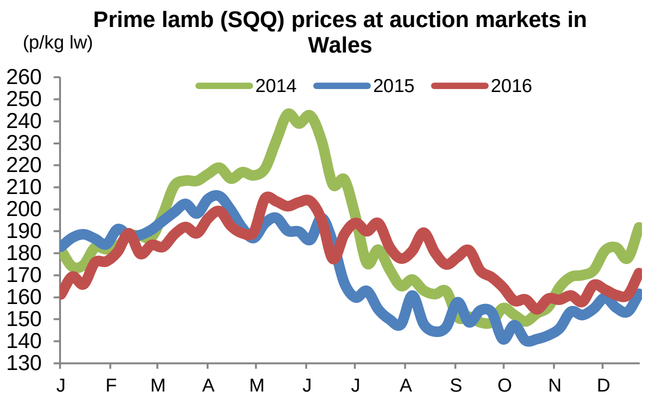
Data released by HMRC for the month of October showed that UK exports of beef and veal had decreased on the same month the previous year by 3% to 9,282 tonnes. The main destination for product was once again Ireland even though volumes into the country have decreased by over 8% standing at 2,778 tonnes. Export volumes to the Netherlands increased on the year by 7.7% to 2,133 tonnes; however exports to this destination remain lower than figures experienced for the same month in 2014.

Similarly to September exports to France have decreased substantially, with a fall to 591 tonnes, which is close to 50% less when compared to the same period of 2015. Volumes exported to Hong Kong increased on the year but level remain lower than figures in 2014. UK beef and veal exports for October valued £31.8 million, a decrease from September but an increase of 1.5% when compared to 2015. From January to October the total volume of beef exported stood at 89,980 tonnes, an increase of close to 10% on the same period in 2015. The value of these exports was £297.6 million, an increase of almost 5%.

Imports of beef and veal to the UK during October decreased by 1.6% (to 22,585 tonnes) when compared against October 2015. Within this fall there were decreased volumes from all the traditional major exporting EU countries, apart from Ireland, to the UK. Volumes from Ireland increased by 8% (to 16,913) with a decrease of volumes from the Netherlands, Poland and Germany decreased by 4%, 27% and 17% respectively. The total value of beef and veal imports for October stood at £89 million, an increase of 4% on the year. For the year to October imports are reported to stand at 214,000 tonnes, a decrease of nearly 4% on the same period in 2015.

Sheep

Prices

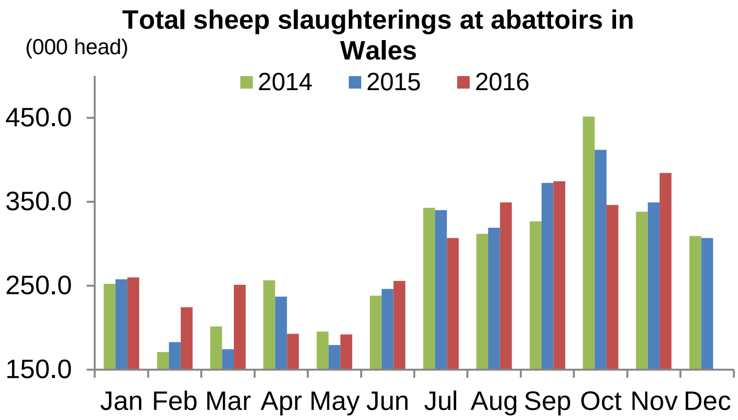


Lamb liveweight prices at auction markets in Wales increased towards the end of December and into the New Year with the SQQ price for Wales reaching 170.1p/kg for week ending 07 January, as we go into a new year this price is for Old Season Lambs. At this level prices were 2.8p above the price for NSL for the previous week. At the latest levels prices are nearly 9p above the prices experienced during the same period in 2016 and 13p below 2015 prices.

For the week ending 31 December the GB deadweight lamb price stood at 389.1p/kg, an increase of 4p on the previous week. At the current level prices were 22p above the deadweight price seen during the same week last year. From the end of October prices have slightly increased but have remained stable. Moving forward trade at the beginning of a year can be volatile as consumer purchasing and numbers being marketed can vary greatly from one year to another. Survey results reported higher numbers during 2016, this suggests that there should be plentiful numbers of lambs to be marketed
during the beginning of this year.

Cull ewe prices increased through December mirroring the trends of lamb prices. During the first week of 2017 the average cull ewe price at Welsh markets stood at £51.10/head, £2.30 below the previous week, at this level prices are more than £5.00 above the prices at the beginning of December.

Slaughterings



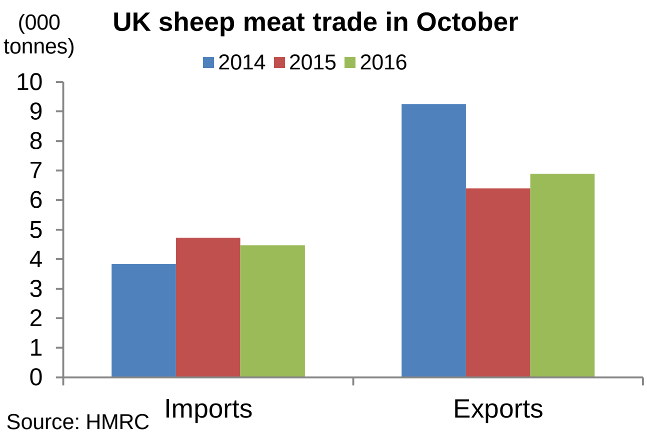
Source: DEFRA

It was reported that the total sheep slaughterings at Welsh abattoirs in November was 384,300 head, while sheep meat production was 7,100 tonnes. For the period January to November the total throughputs at Welsh abattoirs was 3.13 million head, an increase of 2.2% on the corresponding period in 2015. Sheep meat production in Wales for the year to November was down by 1.8% to 58,000 tonnes. The slaughtering figures for November seem high but this could be linked to the change in collection methodology used by Defra especially given the smaller October figures and also the increased number of lambs that are reported to be on the ground. .

UK prime lamb slaughterings for November stood at 1.24 million head while the average carcase weights of prime lambs were 19.3kg, an increase of 0.2kg from October. The weight has continued to increase throughout previous months. Prime lamb throughputs for the May to November period stood at 7.91 million head, a decrease of 1% on the same seven month period in 2015.

Throughputs of cull ewes and rams during November was reported to be 140,200 head. This brought the total for the year to November to 1.58 million head, over 6% above the levels seen in 2015. As with lambs, there have been lighter carcase weights reported for cull ewes and rams this year, for the latest month the average carcase weight was 25.2kg. Total sheep meat production for the eleven months of 2016 was 264,600 tonnes, a decrease of 4%.

Trade



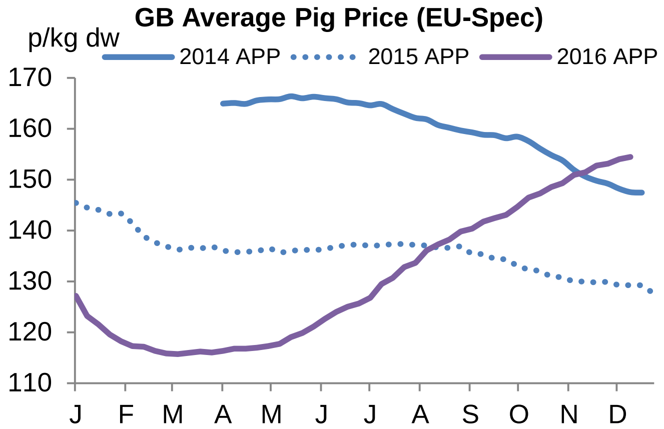
Source: HMRC

For October, HMRC reported that sheep meat exports from the UK were slightly higher than for the same month the previous year. The latest figure being 2.7% higher than last year at 6,893 tonnes, although with all export data it can be difficult to determine the accuracy of the figures that are subject to revision. UK exports to France have reported to have increased by 9% than the same period a year earlier to 3,888 tonnes. This is positive as exports to France have been lower than in previous months. Italy, predominately a strong importer of UK sheep meat at this time of year continue to experience a decline in there imports of UK sheepmeat. Italy were reported as only importing 330 tonnes of UK sheepmeat a decline of 36% on the year. There were reported increases in shipments to Belgium, Ireland and the Netherlands by 15%, 35%, 24% respectively. The value of sheep meat exports for the UK for October was up on the year reaching £29 million an increase of nearly 30% compared to 2015 but remains lower than the value experienced in 2014.

Sheep meat imports to the UK during the month of October have continued to decrease, as they have been in previous months, to 4,466 tonnes (a 5.6% decrease from October 2015). New Zealand's exports to the UK has decreased, by 32% to 2,140 tonnes, their imports held less than half of all UK imports resulting in Australian imports increasing to now hold a share of close to 30% (1,272 tonnes). Ireland remains to be the third largest exporting country of sheep meat to the UK, however the volumes are much lower than imports from New Zealand and Australia. The total value of imports for the month stood at £16.8 million, a decrease of 4% on the same month of the previous year.

Pork

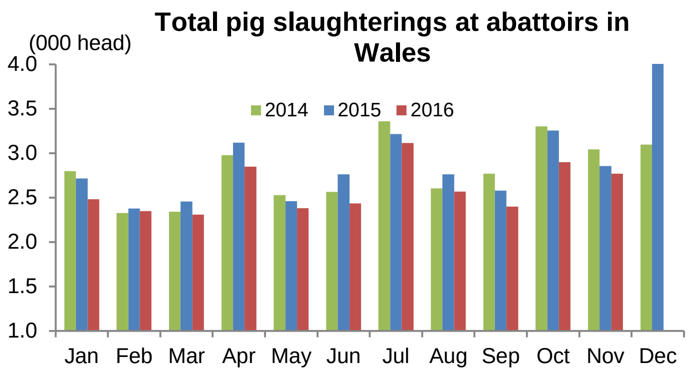
Prices



For the week ending 24 December the GB EU-spec APP experienced its first fall since March 2016. The latest price stood at 154.7p/kg a fall of 0.2p on the week and 27p above prices for the same week in 2015. For the week, the APP price was 2.9p above the SPP price.

The EU-spec SPP increased, and for w/e 31 December stood at 151.9p/kg; 0.1p above the previous weeks price. The SPP price has been steadily increasing throughout the year with the current price more than 28p above prices for the same period the previous year.

Weaner prices increased greatly throughout 2016 with 7kg weaner prices averaging £39.00 for the w/e 31 December, an increase of 0.50p on the week and nearly £8 higher than the same period in 2015. The 30kg weaner price also experienced a positive increase in price throughout 2016 with the latest prices standing at £56.47 (w/e 31 December).



Source: DEFRA

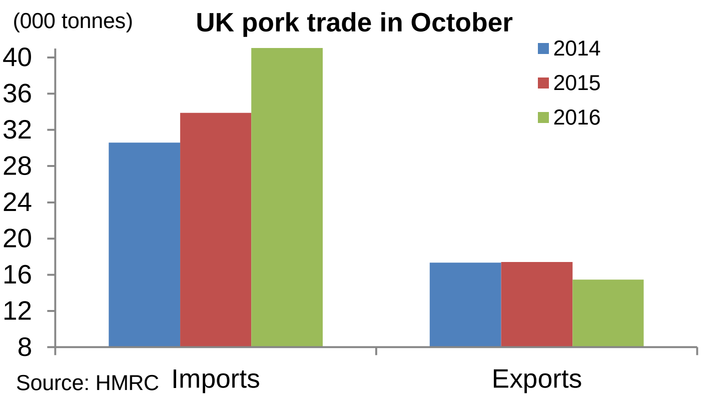
Slaughterings

Total throughputs of pigs at abattoirs in Wales during November stood at 2,800 head, while pig meat production for the month was 200 tonnes. Since the beginning of the year to November it was reported that total pig slaughterings in Wales was 28,600 head, a decrease of close to 7% (or 2,000 head) on numbers slaughtered in 2015. For the eleven month period, pork production at Welsh plants stood at 2,300 tonnes, a decline of 7% on the same period in 2015 as carcase weights are reported to be at similar levels to last year.

Clean pig slaughterings in UK abattoirs during November was reported to be 932,200 head. Clean pig carcase weights for the month stood at 82.7kg, 1kg heavier than the same period last year and 0.9kg heavier than the previous month. This resulted in clean pig production for the month reaching 77,100 tonnes. For the first eleven months of the year clean pig slaughtering's stood at 9.8 million, while production totalled 810,000 tonnes.

Slaughterings of sows and boars in the UK during November stood at 22,600 head, while the average carcase weight was 147.5kg. Overall pig meat production for the month was 80,400 tonnes. For the period January to November pig meat production from UK abattoirs was reported to be 845,000 tonnes, an increase of 1.8% on the same eleven month period last year.

Trade



Source: HMRC

HMRC reported that exports of pork from the UK decreased by 11% on October 2015 with volumes reported to be 15,453 tonnes. China have regained their ranking from Germany last month as the largest export market for UK pork with volumes of 3,071 tonnes (an increase of 18% on the year) reported for October. Exports entering Ireland have decreased by 9% on the year (to 2,617 tonnes) but remain to hold a share of over 17% of UK pork exports. Exports to Germany are significantly lower than the same month the previous year and last month with levels now at 2,092 tonnes (32% lower than 2015). The value of pork exports from the UK for October was £21.3 million, nearly 13% higher than the levels seen last year.

Imports of pork for October stood at 42,731 tonnes, an increase of 25% on the same month a year earlier, similarly to the previous month. Denmark remains to be the highest exporter of pork to the UK experiencing an increase of 89% on the year. Volumes of pork from Denmark stood at 18,317 tonnes making up over 43% of overall imports and recorded to be worth £33 million demonstrating the high value of the pork product imported by the UK. The overall value of pork imports to the UK for October stood at £83 million, over 48% higher than October 2015 and an increase in the value from the previous month.