HCC MARKET BULLETIN SUMMARY FEBRUARY 2017

This month's Market Bulletin will look at UK red meat production for last year.

Production of beef and pig meat increased during 2016 on the back of increased throughput at UK abattoirs while sheep meat production declined as fewer lambs were marketed and carcase weights decreased.

Sheep Meat

The number of lambs slaughtered in 2016 reached 12.84 million head, a decrease of 343,900 (or 2.6%) when compared to the 2015 figure. Due to a change in the way the data was collected in 2016 monthly comparison of throughputs cannot be made with the previous year. Reports from the industry however suggested that many producers did not see the same growth rate in their lambs last year as they had previously and, as such, lambs were slower to be marketed. Those brought forward were also of a lighter carcase weight.

Average carcase weights of lambs for 2016 averaged 19.2kg, 0.4kg lighter than the 2015 average and 0.2kg less than those seen in 2014. This fall in carcase weights would have been a result of the unfavourable growing season experienced in the spring and early summer last year. Another contributing factor would have been the improved market condition seen during the second half of last year which may have led to some producers marketing their lambs at lighter weights.

Cull ewe and ram throughputs in 2016 increased significantly on the previous year with 1.7 million going through UK abattoirs, an increase of over 6%. This figure is below the levels seen in 2014 and for the previous decade. The average carcase weight for ewes and rams last year was 25.9kg, some 0.8kg lighter than the in 2015. The overall production of sheep meat in the UK for 2016 stood at 290,300 tonnes, a decrease of 11,300 tonnes (3.7%) on the previous year.

Beef and Veal

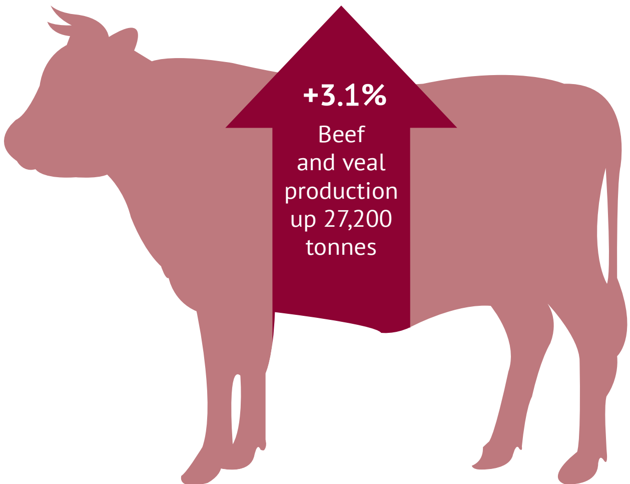
The total number of prime cattle slaughtered throughout 2016 reached 1,974,900 head, an increase of 45,700 animals (or 2.3%) when compared to 2015, according to the latest figures released by Defra.

"Highest prime cattle throughput at UK abattoirs since 2011 which stood at just over 2.1 million cattle".

The prime cattle slaughter mix was similar in make up to that seen in 2015 with 52% of the animals being steers, while heifers and young bulls represented 37% and 11% of the mix respectively.

A pattern that was seen for 2016 was a fall in carcase weights of prime cattle. The biggest decrease was seen in young bulls as weights averaged 327kg, 17.5kg lighter than those seen the previous year and the lightest they been for 10 years. Both steers and heifers were also lighter than the previous year averaging 372.4kg and 327.9kg respectively. The decline has likely been influenced through the change in deadweight specification from processors throughout the UK. Processors lowered the higher weight bands within the specification which would have encouraged producers to sell their livestock at lower weights.

Slaughtering of adult cattle rose to 681,000 head in 2016, a significant increase of 62,200 animals (10% higher) when compared to the 2015 figure. As Defra survey figures suggest that the beef breeding herd was at a similar level last year it can be assumed that most of the uplift in adult cow slaughterings was via dairy cattle as producers responded to the disappointing prices seen within that sector during much of last year.



The overall UK annual production of beef and veal stood at 911,800 tonnes. This was an increase of 27,200 tonnes (3.1%) on the year.

Pig Meat

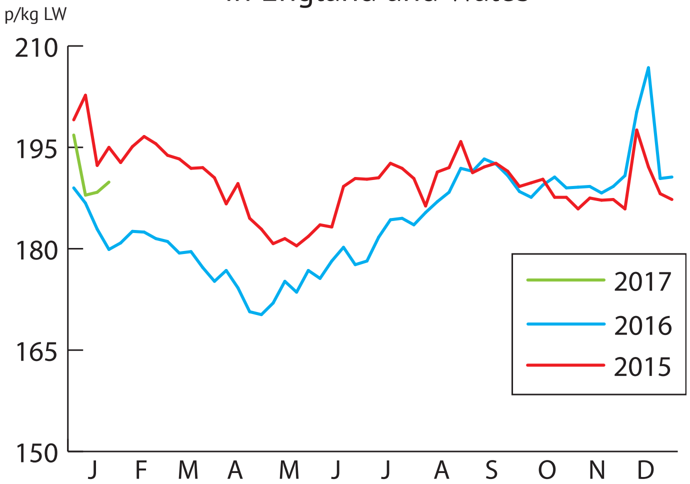
Total clean pig slaughterings for 2016 stood at 10.7 million, an increase of 1% on 2015. This was the seventh consecutive year of increased slaughterings and the highest annual total since 2000. The average carcase weight for the year stood at a record 82.2kg, this highlights how the sector has looked to utilise improved genetics to achieve better performance.

Adult sow and boar throughputs at UK abattoirs were also at a recent high of 256,700 head, however carcase weights were the same as in 2015 standing at 139.7kg. This meant that total pig meat production for the year was 919,200 tonnes an increase of 2% on the year.

MARKET PRICES

CATTLE

Prime cattle prices at auction markets in England and Wales



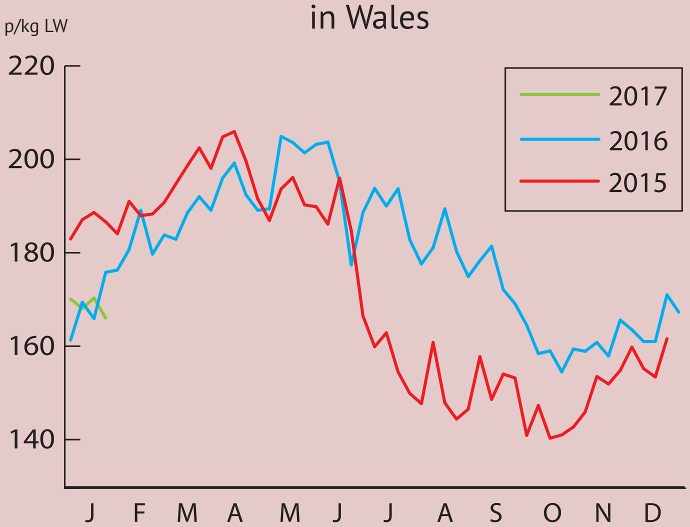
Since the first week of the year prime cattle prices at auction markets in England and Wales have declined but remain above levels experienced a year earlier. The all prime average for week ending 28 January stood at 187.2 p/kg. This is an increase of 1.4p on the previous week and some 9.3p above the 2016 price. Within the average the steer, heifer and young bull price was 185.3p, 198.2p and 171.7p respectively.

The deadweight prime cattle trade has remained relatively static over the first month of the year. For the week ending 28 January the steer average price in England and Wales was 347.0p/kg, some 0.8p above the previous week's price. At this level prices are nearly 21p above the same period in 2016, a pattern that has shown itself since the beginning of the year. The number of steers sold at the price recording abattoirs during the week stated was 2% less than the previous week. Deadweight prices in England and Wales for heifers decreased by 1p on the week to 350.8p/kg. Again numbers were down, being almost 3% less than the previous week. Young bull prices for the w/e 28 January was 317.0p/kg, a 3p increase.

Cull cow prices at England and Wales auction markets stood at 106.4p/kg for the week ending 28 January. At this level prices are 3p above those seen during the first week of the year. The deadweight England and Wales cull cow price for the same week was 215.2p/kg, a 0.1p uplift. The number going through abattoirs was 10.5% down on the previous week.

SHEEP

Prime lamb (SQQ) prices at auction markets in Wales



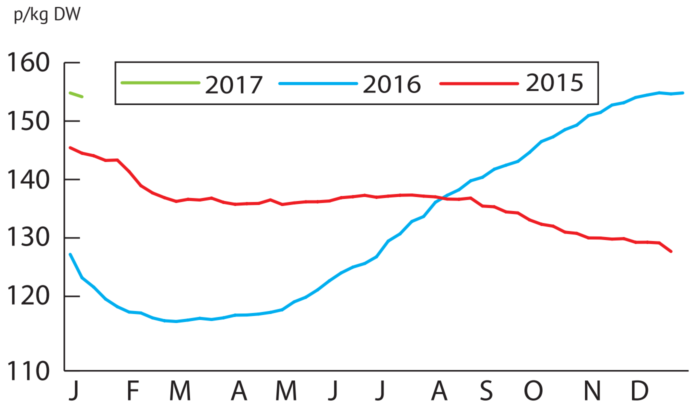
Lamb liveweight prices at auction markets in Wales have not experienced the usual seasonal uplift during the second half of January this year. The SQQ price for lambs at auction markets in Wales for the week ending 28 January stood at 166.0p/kg, 4p less on the week and also 4p less than the price seen during the first week of the year. At this current price, the trade is nearly 10p down on the same period in 2016. The latest decrease in price comes despite the overall number of lambs that were in the SQQ category being 12% less than the previous week as reports suggest that demand from processors has been quiet since the turn of the year.

For the week ending 28 January the GB deadweight lamb price stood at 378.2p/kg, a decline of 0.7p on the previous week. At the current level prices are nearly 16p below the deadweight price seen during the same week in 2016 and some 8p below the price for the first week of January. The current market situation again reflects the industry reports which suggest that supply is currently slightly ahead of demand.

Cull ewe prices increased through January 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. For the week ending 28 January the price has fallen to £44.00/head, £1.60 below the previous week. At this level prices are £7.60 lower than the same week in 2016.

PIGS

GB Average Pig Price (EU-Spec)



For the week ending 14 January the GB EU-spec APP stood at 154.2p/kg, a fall of 0.6p on the week but 31p above prices for the same week in 2016. The APP price has plateaued over the last couple of months following a period of continued improvement during last year when price consistently rose week on week.

The EU-spec SPP has also decreased during the last couple of weeks. For w/e 21 January the average stood at 150.6p/kg, a decline of 0.4p on the previous week's price. Throughout January the SPP price has been steadily declining however the price remains 35p above prices for the same period the previous year.

Weaner prices increased greatly throughout 2016 but as with finished pig prices the market has levelled during the first month of 2017. The 7kg weaner prices averaged £39.26 for the w/e 28 January, an increase of 0.1p on the week. The 30kg weaner price has remained stable throughout January with the latest prices standing at £54.85 (w/e 28 January).