HCC Market Bulletin – February 2017

Production of beef and pig meat increased during 2016 on the back of increased throughput at UK abattoirs while sheep meat production declined as less lambs were marketed and carcase weights decreased. This month's Market Bulletin will look at UK red meat production for last 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. This was the 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%) on the year.

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 11,200 tonnes (3.7%) on the previous year.

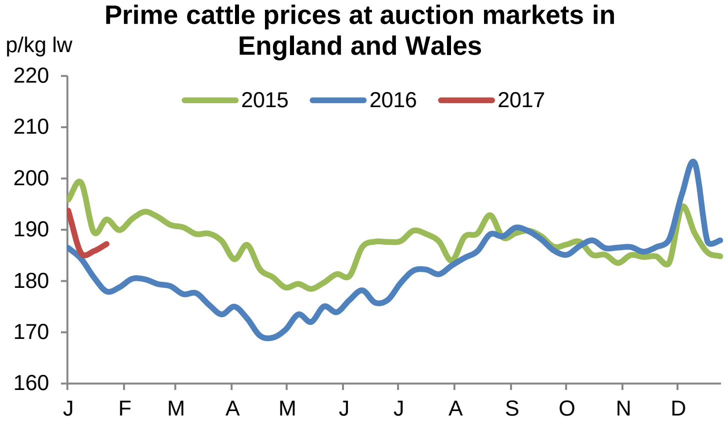
Pig meat

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.

Production Statistics

Cattle
Prices

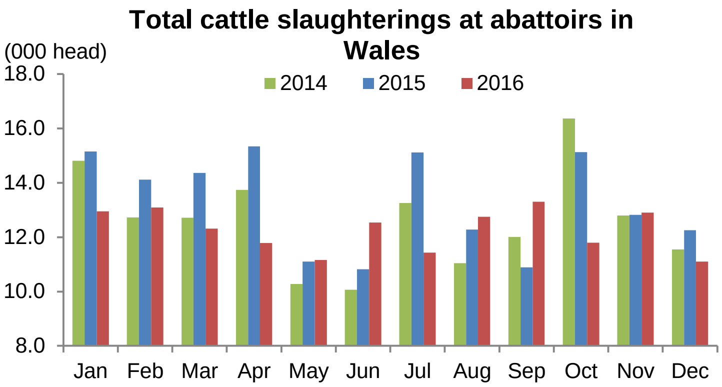


Since the first week of the year prime cattle prices at auction markets in England and Wales have declined but remain above levels experienced a year earlier. The all prime average for week ending 28 January stood at 187.2 p/kg. This is an increase of 1.4p on the previous week and some 9.3p above the 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 stated was 2% less the previous week. Deadweight prices in England and Wales for heifers decreased by 1p on the week to 350.8p/kg, again number 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 numbers going through abattoirs was 10.5% down on the previous week.

Slaughterings



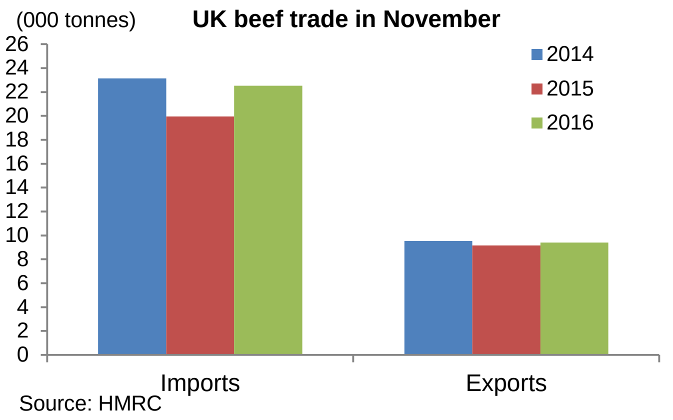
Source: DEFRA

Total cattle slaughterings at Welsh abattoirs during December stood at 11,100 head. This meant that the total throughput of cattle at Welsh abattoirs during 2016 stood at 147,200 head, a fall of 12,200 head when compared to 2015. Production for December was reported to be 3,500 tonnes, which mean that production for the year totalled 45,400 tonnes. At this level production had decreased by 2,100 tonnes (or 4.5%) on the year.

Throughputs of prime cattle in UK abattoirs during December stood at 156,600 head; within this the slaughter mix was made from 82,100 steers, 60,900 heifers and 13,600 young bulls. As was the pattern for most of the year carcase weights for all categories of prime cattle were reduced when compared to the same period in 2015. The largest fall in carcase weights was associated with young bulls which during December stood at 304kg, a decline of over to 14kg when compared to the month previous and 4kg lighter than December 2015. Steer carcase weights for the month was 369kg while heifers averaged 319kg. The overall production of beef from prime cattle for December totalled 53,854 thousand tonnes. From January to December, the total prime cattle slaughtering's at UK abattoirs stood at over 1.97 million, a 2.4% increase (or 45,700 head) when compared to the total prime slaughterings for 2015.

Adult cattle slaughterings in the UK for December stood at 58,200 head, this was made up from 56,900 cows and 1,300 bulls. For 2016 total adult cattle slaughterings stood at 681,200 head, an increase of over 10% on 2015. The increase has been strongly influenced by the increase in cull cow slaughtering's. Total UK beef production for the month of December stood at 72,400 tonnes.

Trade

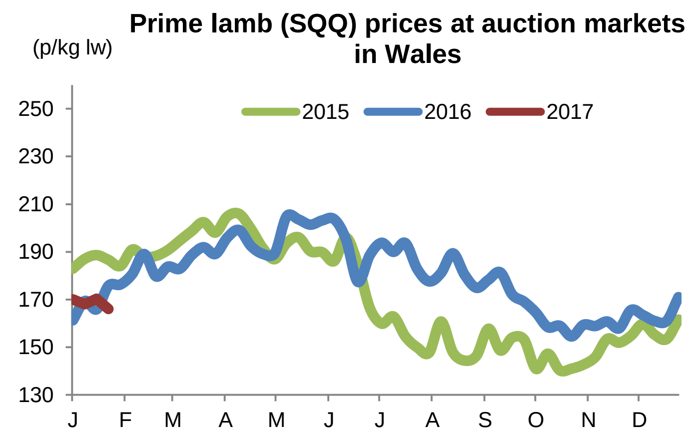


Data released by HMRC for the month of November showed that UK exports of beef and veal had increased on the same month the previous year by over 7% to 9,390 tonnes. The main destination for product was once again Ireland with volumes standing at 2,960 tonnes (32% share of exports from the UK). Export volumes to the Netherlands increased on the year by 14% to 2,540 tonnes; however exports to this destination remain lower than figures experienced for the same month in 2014.

Exports to France have continued to decrease on the year, with a reported 620 tonnes exported in November, which is close to 9% less when compared to the same period of 2015. Volumes exported to Hong Kong increased on the year and were above export volumes from 2014, at 540 tonnes. UK beef and veal exports for November valued £30.7 million, a decrease from the month previous but an increase of over 12% when compared to the same period in 2015. From January to November the total volume of beef exported stood at 99,370 tonnes, an increase of over 9% on the same period in 2015. The value of these exports was £328.4 million, an increase of over 5% on the year.

Imports of beef and veal to the UK during November decreased by close to 3% on the year (to 22,500 tonnes), little difference when compared to the previous month. Within this fall imports from Ireland were slightly lower than the year previous. The most dramatic movement involved imports from Poland which increased by over 31% on the year to 1,570 tonnes. Imports from Germany were significantly lower (29%) to total 1,090 tonnes in November. The total value of beef and veal imports for November stood at £89 million, an increase of 5% on the year. For the year to November imports are reported to stand at just over 236,600 tonnes, a decrease of over 3% on the same period in 2015.

Sheep
Prices



Lamb liveweight prices at auction markets in Wales haven't 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 mirrored 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.

Slaughterings

It was reported that the total sheep slaughterings at Welsh abattoirs in December was 330,400 head, while sheep meat production was 5,900 tonnes. Throughout 2016 the total throughputs at Welsh abattoirs was 3.46 million head, an increase of 2.5% on the previous year. Sheep meat production in Wales for the year was down 1.3% to 63,800 tonnes. The production figures would be lower than the previous year due to continued lighter carcase weights during the second half of 2016.

UK prime lamb slaughterings for December stood at 1.2 million head while the average carcase weights of prime lambs were 18.9kg, a decrease of 0.4kg from November. While this carcase weight is the lowest experienced throughout the later months of 2016 it was the first time in 2016 when the carcase weight was heavier than the corresponding month in 2015. Prime lamb throughputs for the May to December period stood at 9.08 million head, a decrease of nearly 1% for the same eight month period in 2015.

Throughputs of cull ewes and rams at UK abattoirs during December was reported to be 136,400 head. This brought the total for the year to December to 1.71 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 25.6kg. Total sheep meat production for the 2016 was 290,300 tonnes, a decrease of more than 3.7% when compared to 2015.

Trade

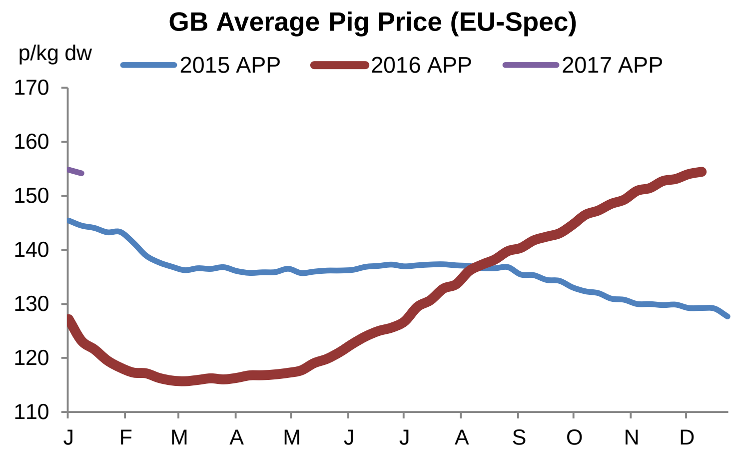
For November, HMRC reported that sheep meat exports from the UK were higher than from the same month the previous year. The latest figure being 21% higher than last year at 7,200 tonnes, although with all sheep meat export data it can be difficult to determine the accuracy of the figures that are subject to revision. UK exports to France were reported to have increased by 9% when compared to November 2015 to 3,666 tonnes. This is positive as exports to France have been lower than in previous months, however it should be noted that the level seen last year were nearly half the volume seen in 2014.

Italy, historically a strong importer of UK sheep meat during the winter months experienced a decline in imports of UK sheep meat, possibly highlighting some of the difficulties faced by light lamb producer during this time. Italy was reported as only importing 410 tonnes of UK sheep meat a decline of close to 2% on the year. There were reported increases in shipments to Germany, Ireland and Belgium by 11%, 3% and 20% respectively. The value of sheep meat exports for the UK for November was up on the year reaching £29 million an increase of over 6% when compared to 2015 but remains lower than the value experienced in 2014.

Sheep meat imports to the UK during the month of November were lower than the previous years to total 5,430 tonnes. New Zealand's exports to the UK decreased; by close to 7% to 3,050 tonnes however their imports made up over half of the quantity of UK sheep meat imports for the month. Australian imports reached nearly 1,500 tonnes (an increase of 5% on November 2015). Imports from Ireland decreased dramatically on the year to 390 tonnes, a decline of 23% when compared to 2015 and a decline of close to 50% when compared to 2014, possibly showing the result of the weakened Sterling making the UK a less attractive market for exports. The total value of imports for the month stood at £23.7 million, a decrease of 4% on the same month of the previous year.

Pork

Prices



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).

Slaughterings

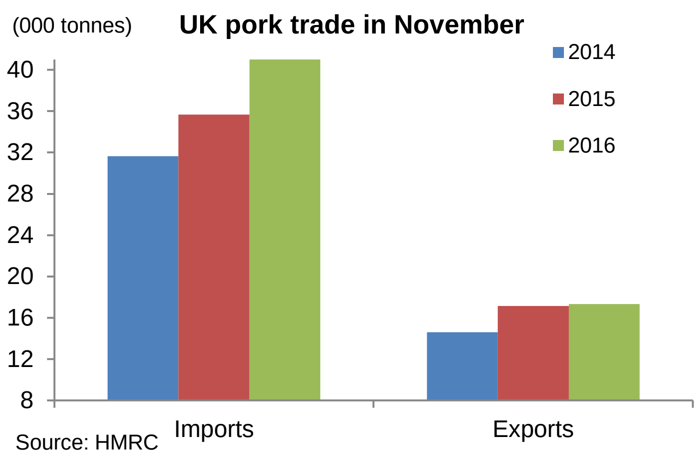
Source: DEFRA

Total throughputs of pigs at abattoirs in Wales during December stood at 3,000 head, while pig meat production for the month was 240 tonnes. For 2016 it was reported that total pig slaughterings in Wales were 31,300 head, a decrease of close to 15% (or 5,500 head) on the 2015 figure. For 2016, production at Welsh plants stood at 2,500 tonnes, a decline of 14% on the year.

Clean pig slaughterings in UK abattoirs during December was reported to be 855,300 head. Clean pig carcase weights for the month stood at 82.1kg, 1.1kg heavier than the same period last year but 0.7kg lighter than the previous month. This resulted in clean pig production for the month reaching 70,200 tonnes. Clean pig slaughterings at UK abattoirs reached 10.7 million in 2016 an increase of nearly 1% on the year.

Slaughterings of sows and boars in the UK during December stood at 17,000 head, while the average carcase weight was 146kg. Overall pig meat production for the month was 72,700 tonnes. For 2016 pig meat production from UK abattoirs was reported to be 919,200 tonnes, an increase of 2% on the year.

Trade



HMRC reported that exports of pork from the UK decreased by 3% on November 2015 with volumes reported to be 17,340 tonnes. China remained the main volume destination with more than a 21% share of the pork export from the UK. Export volumes to China stood at 3,680, however the value of the exports is relatively low in comparison to the other destinations. This highlights that China import some of the cheaper cuts of the carcase. Exports entering Ireland increased on the year by 12% (to 2,910 tonnes). Exports to Germany were significantly lower than the same month the previous year with levels at 2,400 tonnes (10% lower than 2015). The value of pork exports from the UK for October was £24.2 million, nearly 25% higher than the levels experience a year earlier.

Imports of pork for November stood at 45,250 tonnes, an increase of 25% on the same month a year earlier, continuing the trend from previous months. Denmark remained the highest exporter of pork to the UK experiencing an increase of 66% on the year. Volumes of pork from Denmark stood at 18,780 tonnes accounting for over 41% of overall imports and recorded to be worth £34 million. The next largest exporter of pork to the UK was Germany, with volumes reported to have increased by 16% to 7,300 tonnes. The overall value of pork imports to the UK for November stood at £88 million.