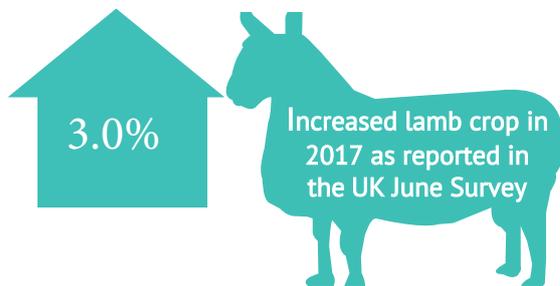


This month's Market Bulletin will look back at the sheep, beef and pig markets for 2017 and examine what the major factors that could influence these sectors over the next 12 months.

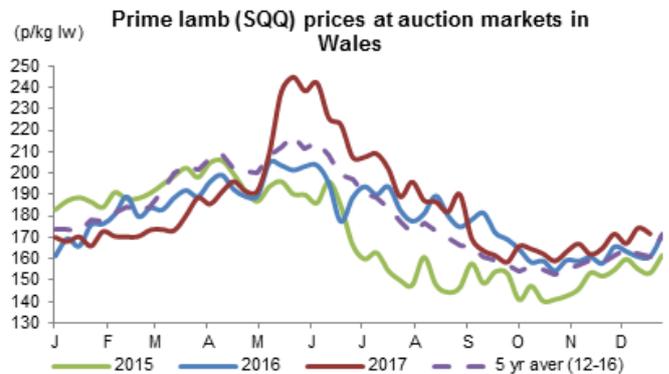
Sheep sector

Lamb prices at the beginning of 2017 trailed the previous year's prices for the first three months of the year; this was despite the number of lambs being presented to UK abattoirs being slightly less than in 2016 and 2015. Subdued consumer demand, particularly from the home market and in France, were the main contributory factors for the lacklustre start to the year. During the three month period Welsh auction market prices generally traded between 168p/kg and 174p/kg although there was a steady improvement towards the end of March as procurement for the Easter period provided a welcomed boost.

As numbers being bought forward eased there was improvement in trade in April, but the real difference in 2017 to the previous few years was the reported sharp decrease in Old Season Lambs carried forward into May. This showed itself at market when only New Season Lamb prices were reported (w/e 20 May) the average stood at 238p/kg, over 30p higher than the same period in 2016. This change in prices highlights the significance an increased carry over of lambs into the spring can have on the market. It should be noted that the trade for 2016 and 2015 New Season Lambs was impacted by high numbers of Old Season Lambs which combined with a strong Sterling against the Euro meant that the expected improvement in prices did not occur during these two years. Looking forward it is difficult to ascertain what will happen in the early months of 2018 but given the increased lamb crop in 2017 reported in the UK June Survey and the fact that UK lamb slaughterings were down 8% (or over half a million head) in the June to November period then it is likely there will be significant numbers of lambs available during the early months of the year.



The weakened Sterling was a continuing theme throughout 2017 which led to UK exporters being increasingly competitive in some of the main export destinations for lamb. It is expected that by the end of the year volumes exported to almost all the main destinations would have increased on the year with most (excluding the French market which will be at similar levels) recording double digit improvements.



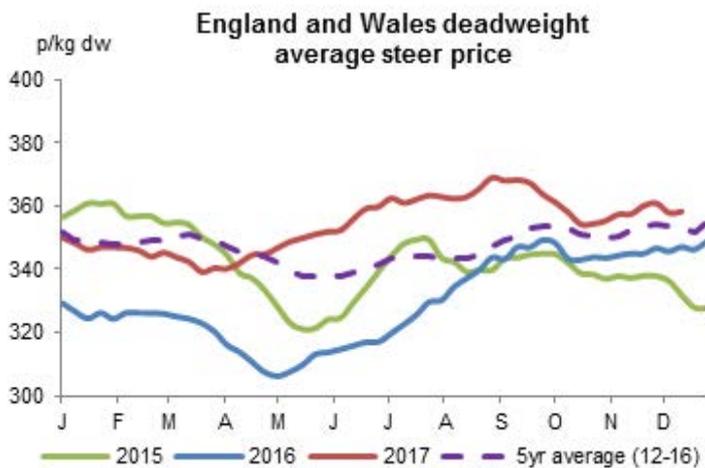
This improved competitiveness was evident during the summer months which meant that the market prices that were experienced during the June to mid-August period were consistently above the 2016 and 2015 levels. Given the continuing uncertainty that remains over the terms of the UK's departure from the European Union, it is likely that the Sterling will continue to be comparatively weak against other currencies and as such this should allow exporters within the UK to be active in many European markets in 2018.

UK slaughterings (June – November)		
	Prime Lambs	Cull Ewes and Rams
	(000 head)	
2017	6,449.7	783.0
2016	6,997.0	896.3
2015	7,163.9	871.1

During late August and September, market prices fell below 2016 levels for the first time since April. This would however, have been influenced by the earlier Muslim festival of Eid al-Adha this year, as shown by the fact that by October prices were higher than the corresponding period twelve months earlier, a pattern that continued for the remainder of the year. The Muslim festival has a positive impact on the market but starts around 10 days earlier every year and therefore can cause slight anomalies when looking at weekly pricing patterns year-on-year. Another influencing factor on the market prices during the period would have been the passive home market. Kantar Worldpanel data shows that there were decreased monthly volumes of fresh lamb purchased during much of 2017 when compared to the same period 12 months earlier; a driving factor for the fall in sales would have been higher retail prices. This highlights the strong relationship that exists between lamb sales and its retail price, for 2018 UK consumption of lamb will depend on many factors but undoubtedly retail pricing policy will be one of the main drivers.

Cattle sector

Prime cattle prices in England and Wales have been relatively stable during the year with any change in levels being gradual. Looking at the year as a whole there was only a 30p difference between the lowest and highest weekly deadweight steer price in England and Wales (339p/kg in March and 369p/kg in late August). This consistency in prices would suggest that the supply/demand situation within the prime beef sector was evenly balanced throughout much of the year. When comparing 2017 prices with those of the previous year it can be seen that the deadweight level was consistently above the corresponding period in 2016 throughout the year. The price disparity for steers was at its highest in early July when there was a 43p difference between 2017 and 2016 levels, as the year went on the difference became less pronounced and by the latest week ending (30 December) there was only an 10p gap.



A pattern that has become evident during the last few years is lighter finished prime cattle being presented for slaughter. For the first eleven months of the year the average carcass weight fell by 2kg on the year to 349kg, within this figure the average heifer carcass weight actually rose but this was more than offset by a near 6kg drop (when compared to the January to November 2016 period) in steer carcass weights which averaged 367kg. Overall it can be seen that the number of animals presented to slaughter has fallen on the year which would explain some of the improvement seen in cattle prices during the year. Looking forward, BCMS data would suggest that there could be increased number of prime cattle available in 2018 but if the pattern for lighter carcasses continues then this may mitigate some of the potential growth in domestic production.

As always the UK beef price will be influenced by developments within the sector across the Irish Sea. Given the relatively robust demand that exists for beef in the UK, it should not be too surprising that the levels of beef imports into the UK during the first ten months of the year was reported to be 4% up on the year at 223.4 thousand tonnes. Irish beef would be highly significant in this figure (around 70%) and shows that despite the weakened Sterling, Ireland still considers the UK to be a key market in its beef export portfolio.

UK slaughterings (January – November)				
	Steers	Heifers	Young Bulls	Cull cows and bulls
	(000 head)			
2017	938.9	651.1	188.6	580.7
2016	943.1	664.8	210.4	622.8
2015	926.6	655.2	193.6	567.4

Pig sector

While the average pig price has remained above 2016 levels for the majority of 2017 there have been significant developments within this sector during the year. The first half of 2017 was marked by continuous week-on-week growth as processors looked to secure enough supply to meet demand. By the end of July, the price had hit its pinnacle for the year at 168.5p/kg for the GB EU-spec APP. At this point the price was 35p above the level for the corresponding week in 2016, however this wasn't the largest difference in prices experienced this year (44p in May).

Since this high point pig prices have steadily declined and it is likely by the end of the year prices would have fallen below 2016 levels for the first and only time during 2017. The fall in prices has coincided with increased numbers of finished pigs being presented to the market and given that forecasts are for increased slaughterings in 2018 then this pressure on price seems likely to continue.

