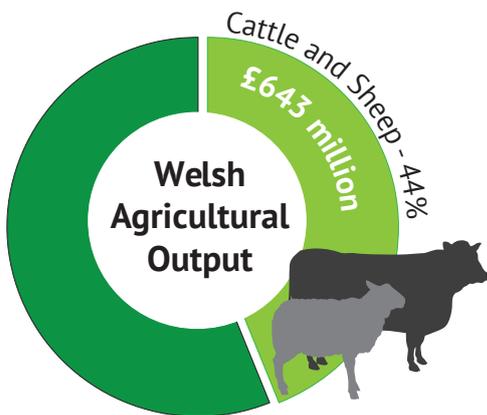


The provisional Welsh aggregate agricultural output for 2016 is estimated to have fallen by twelve percent on the previous year while the farm income in Wales for 2016/17 is forecast to vary greatly on the year depending on farm type. These are the headline results of two recently published statistical releases by Welsh Government. This months Market Bulletin will look at the result of these releases in greater detail.

Aggregate agricultural output and income, 2016

In the statistical release 'Aggregate agricultural output and income', it is forecast that the total value of aggregate agricultural output in Wales for 2016 will stand at £1,447 million, this figure is some £33 million (or 2%) lower than the provisional figure for 2015. In order to calculate this all income generated through sales by agricultural businesses are included (therefore excludes direct and indirect support payments) with no costs deducted.

The main driving factor for the decrease was a fall in the value of milk and milk products of £35 million to stand at £413 million. This was to be expected given the difficulties that were reported by many within the sector regarding milk prices, particularly during the first half of the year as prices recovered somewhat towards the end of 2016. Due to the difficulties faced many producers reduced production, which is evident through decreased dairy cow numbers in the June survey. This would have been another contributing factor to this fall in overall output. At this level the total is forecast to have fallen significantly when compared to 2014 when the figure stood at £549 million.



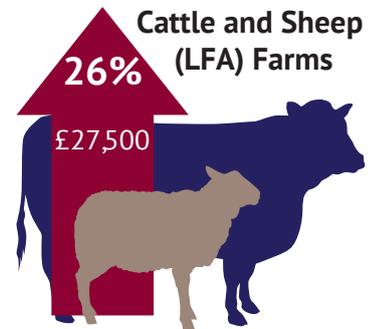
In contrast to its dairy counterpart the sheep and cattle sector saw improved prices during 2016, particularly for finished livestock and as a result the total value of both increased. The output from sheep is forecast to stand at £267 million, some £10 million (or 4%) higher than the provisional

figures for 2015. Within this figure the value of both finished and store livestock is included with the main driving factor for the increased output being improved market conditions, which were helped by the weaker Sterling against the Euro. The value of output from cattle sales, which would include dairy bred animals, was forecast to be £376 million, an increase of £5 million (or 1%). The combined value of sheep and cattle output represented the highest share of Welsh agricultural output at 44%, highlighting the importance of red meat production to the agricultural sector in Wales. Agricultural output from the pig sector was £5 million.

Forecasts of farm incomes in Wales, 2016/17

Within the last month, the Welsh Government also released its 'Forecast of farm incomes in Wales, 2016/17'. As with all these type of releases, the figures are subject to revision and while the average is shown within the data there is considerable variation between farms within type. Nevertheless the figures do provide a useful indication of long term trends within farm income in Wales. In essence for this report farm business income is the same as net profit.

The average farm business income for LFA cattle and sheep farms is forecast to stand at £27,500 per farm for 2016/17. This is some £5,600 higher than the figure for the previous year (at current prices), an increase of 26%. This is the highest figure seen in five years and the first time the figure is higher than for dairy farms for ten years. Improved market prices for both beef and in particular sheep when compared to the period 12 months before would have influenced the increase. The overriding factor however would have been the increase seen in Basic Farm Payments due to the weaker pound. It is estimated that this exchange rate fluctuation would have led to a 17 percent increase in the payment level. The data in the release does show that without these support payments then many farms in Wales would have a negative margin.



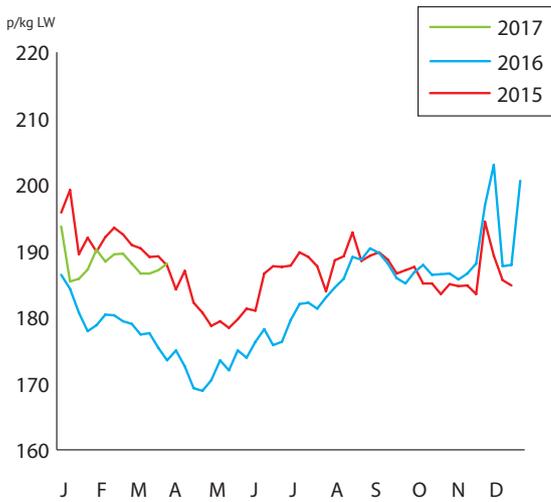
The improvement seen in LFA farm incomes is also seen for lowland cattle and sheep farms in Wales. The forecast farm income for these types of farm is stated as being £22,000, an increase of 34% (or £5,700) on 2015/16 figures. As with LFA farms, and highlighting the importance of BPS to livestock farms in Wales, the largest contributory factor was an increase in payments due to currency value changes. Due to the higher number of beef animals on lowland farms, the improved beef market conditions experienced in 2016/17 meant that the increased output from this enterprise also contributed to the higher income.

The forecast farm income for dairy farms in Wales is £24,500 per farm, a decrease of 25% on the year earlier. The well documented fall in milk prices would be the main factor for this decline and emphasises why many dairy producers would have been relieved to see prices recover over the past few months.

MARKET PRICES

CATTLE

Prime cattle prices at auction markets in England and Wales



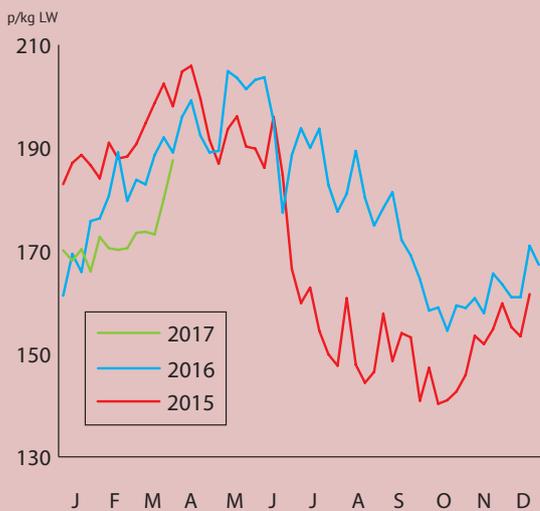
Prime cattle prices at auction markets in England and Wales have faced a period of stability over the last few months with any deviation on average price being small. For the latest week ending 08 April the prime average price stood at 190.3p/kg, over 2p up on the week. Within the average the steer, heifer and young bull price was 190.2p/kg, 198.1p/kg and 180.2p/kg respectively. The seasonal trend at this time of year would be for prices to decrease slightly, this pattern has not fully materialised this year as yet suggesting that demand is holding up to supply, particularly as we move towards the Easter period.

The deadweight prime cattle trade has also remained relatively static. However there has been a slight easing in prices over the last month. For the week ending 01 April the steer average price in England and Wales increased by 1.2p to average 340.4p/kg, as the numbers brought forward decreased marginally on the previous week. At this level prices are some 20p above the corresponding period last year. Deadweight prices in England and Wales for heifers and young bulls also increased during the latest week, standing at 343.2p/kg (+0.2p) and 312.9p/kg (+4.4p) respectively.

Cull cow prices at England and Wales auction markets stood at 117.6p/kg for the week ending 08 April; at this level prices are 25p above prices experienced for the same week a year ago. The deadweight England and Wales cull cow price for the week ending 01 April was 226.3p/kg, a 2p uplift, with the numbers reportedly going through abattoirs down nearly 11% on the previous week.

SHEEP

Prime lamb (SQQ) prices at auction markets in Wales



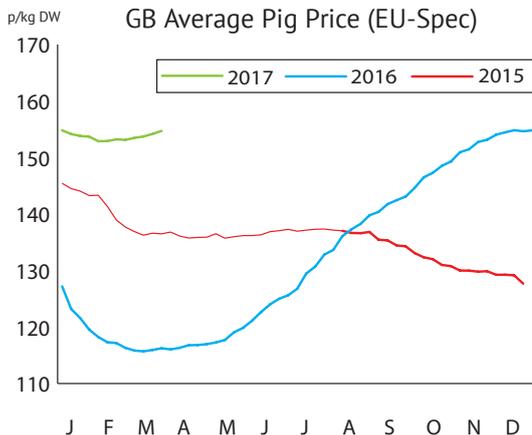
After a subdued start to the year lamb liveweight prices at auction markets in Wales have finally shown signs of improvement over the last month. There has been a reported slight increase in demand in the last few weeks in readiness for the Easter period. However numbers remain high for the time of year which has dampened any real price growth potential. The SQQ price for old season lambs at auction markets in Wales for the week ending 08 April stood at 177.0p/kg, 11p less than the previous week. Increased marketings of New Season Lambs have been experienced of late, driven by producers aiming to take advantage of the Easter trade. For the latest week the average price for NSL at auction markets in Wales was 256.6p/kg.

Mirroring the pattern seen in the auction markets, the lamb deadweight trade has also improved over the last month. For the week ending 01 April the GB deadweight lamb price stood at 414.0p/kg, an increase of 15p on the previous week, the largest weekly price rise seen for 2017. At the current levels prices are still some 20p below the deadweight price seen during the same week in 2016. Reports suggest that the number of lambs going through GB abattoirs remains high for the time of year highlighting the increased carryover of lambs seen in early 2017.

Following the expected seasonal pattern cull ewe prices at auction markets in Wales increased through March and into April as number tighten somewhat, although they remain below the price experienced for the same period in both 2016 and 2015. For the week ending 08 April the price stood at £58.10/head, 90p lower than the previous week. At this level prices are nearly £10/head lower than the same week in 2016.

PIGS

GB Average Pig Price (EU-Spec)



The EU-spec SPP has followed an upward trajectory over the last month after a slight decrease in February. The month of March saw consecutive weekly growth leading to the price at the end of the month being between 3-4p higher than the start of the month. For week ending 01 April the average stood at 153.1p/kg, an uplift of 1.4p on the previous week's price. At this level prices are over 40p above the same period last year.

For the week ending 25 March the GB EU-spec APP stood at 154.7p/kg a 0.5p increase on the week, and over 38p above prices for the same week in 2016. The gap between the APP and the SPP closed further in the week ending 25 March, to 3.01p/kg, as the SPP recorded a greater increase.

As deadweight prices have improved over the last month the weaner trade has also seen positive movements as finishers seem to have gained confidence. For the w/e 01 April the 30kg weaner average price stood at £58.10, an increase of £1.30 on the week and the first time in over 3 years that prices have broken the £58 barrier. For the same week the 7kg weaner average price stood at £39.80, 40p higher than the week earlier.