



# Market Report

July 2015

## UK Beef

### Positive pricing as beef supply tightens

The prime cattle trade has seen more upwards movement for another week.

In week ended 20 June, despite numbers coming forward estimated to have increased on the week earlier, the all prime average was still up 5p at 337.7p/kg. This further uplift reflects a more positive trading environment in which the all prime average has strengthened by more than 12p/kg over the past three weeks. This price rise has evidently come as supplies fall short of retail demand and confirms the predictions made a short while ago. With the balance in the trade so fine it would not take much stimulus from either side of the equation to move the trade into a position less out of kilter fairly quickly.

With the supply and demand balance having swung in producers' favour, competition from processors is reported to have been solid. As such, waiting lists have evaporated and while cattle 'out of spec' may have proved trickier to place, they have still found a home easily. On average R4L steer values were up 4p on the week at 347.3p/kg. Heifers meeting target moved up 5p to average 346.1p/kg. R3 young bulls were 6p dearer on the week at 331.3p/kg, they have increased 16p/kg.

The outlook for the summer continues to appear positive on the back of the tightening supply situation. While there is still the risk that this could be tempered by the on-going strength of sterling against the euro, which would still mean imports from other member states are competitive, it looks likely that producers will be in a much stronger negotiating position. With the summer supply gap already influencing the market, producers are looking for the right buyers, holding onto cattle where they can in order to maximize returns amid the rising market.

### Global Snapshot

- Brazil; First 5 months live cattle sales down 74% YOY
- Uruguay; Finished cattle prices remain firm
- Argentina; Month on month exports up 3.7% but prices set to increase on reduced export numbers
- N America; Live cattle prices see small decrease
- New Zealand; Lamb exports continue to slow with shipments 14% lower
- Asia; South Korea, Japan, Vietnam & Philippines are estimated to increase by 60% from 2010
- China & Japan; Demographic change forecasts population growth slowdown to 2% & decline by 25% from present to year 2050 retrospectively.





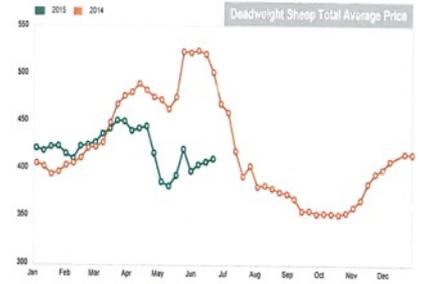
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## UK Lamb

### Sharp falls seen in live weight Lamb trade

New season lamb live weight prices have seen sharper falls in the past week, following a decline in the previous seven days, despite tighter supplies at GB auction markets. In the week ended 24 June the NSL SQQ fell to 170.7p/kg, over 17p lower than the previous week. The daily average price on Wednesday 24 June was as low as 160.2p/kg, almost 19p down on the week earlier. This left the current weekly price over 42p lower than the same week in 2014 when prices were not falling as rapidly. This is the lowest June value for the new season trade since 2010. Supplies remain at a high level amid some challenging trading conditions, while the pound continues to strengthen. These falls come despite numbers of lambs coming to market being well below numbers last week. Numbers in the past week were back 15% on the previous seven days, suggesting the falling prices have put producers off bringing lambs forward. However, throughputs do still remain above levels seen in 2014, for the second week in a row. With numbers up by over one per cent on the week, it shows how good the lamb crop has been this year.



In week ended 20 June, despite falls seen in the live weight market, the deadweight trade strengthened for the third week in a row. The NSL SQQ increased by over 3p on the week to reach 411.4p/kg, reducing the gap compared to 2014 to less than a pound for the first time since mid-May.

### New Zealand Sheep Exports Fall

Sheep meat production in New Zealand in April was unchanged, compared to a year earlier although export volumes were well down. This included a fall in trade with the United Kingdom to its lowest April level for at least 25 years. This would suggest that the pressure on the UK market from high supplies of New Zealand lamb should ease. Following two months of sharp declines, lamb slaughter in New Zealand increased two per cent on the year to 2.2 million head in April. Supplies of lambs have held up better than anticipated, leading to higher numbers coming to market now, with much of this increase coming from the North Island. However, a fall in the average carcass weight led total lamb production to increase by only one per cent to 39,600 tonnes. Taking account of the monthly developments, the overall number of lambs slaughtered in the first four months of the year was level with the same period in 2014, at 10.5 million head. However, the consistently lower carcass weights so far this year have resulted in an overall two per cent decline in lamb production volumes to 183,900 tonnes.





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## Pork

### UK pig prices increase

UK finished pig prices increased for the fourth week in a row, with the largest single gain in over a year. In the week ended 20 June the EU-spec SPP was up by almost half a penny at 132.38p/kg, to the highest level since the end of March. Supplies continued to tighten even though demand will have been affected by the continuing lack of summer weather. The SPP was 31p lower than in 2014 although this difference has narrowed in recent weeks as prices at this time last year were falling. Estimated slaughterings were down 2% both on the week and on the same period in 2014, while carcass weights fell to their lowest level since December. However they were over a kilo heavier than the same week in 2014. With carcass weight falling it would be expected that the average probe measurement would also fall but it actually increased to 11.2mm.

Latest figures from Defra show that the strong growth in UK pig meat production continued in May, with output over 5% higher than a year earlier at 66,700 tonnes. At 789,400 head, the UK clean pig kill was also up by 5%, in line with the trend in most recent months. The year-on-year growth in slaughterings was similar across all parts of the UK, with Scotland and Northern Ireland also recording a 5% uplift. Although these figures add weight to the view that census results showing a declining breeding herd may have been pessimistic, they also confirm that the productivity of the UK's sows continues to improve.

### Danish exports increase in early 2015

In the first three months of 2015, Danish exports of pork increased by 6% year on year to 292,000 tonnes but the total value fell by 5% to DKK4.3 billion (€580 million). Intra-EU trade increased its share of the total and other EU countries remained the largest market for Danish exports, with 74% of all shipments from Denmark going to them. Germany was the largest single market for Danish pork but its share of the total fell to 32% as volumes grew more slowly than other countries. Shipments to the next three markets, Poland, Italy and the UK, grew by 12%, 20% and 19% respectively. Exports to non-EU markets increased by 1% despite a decline in volumes going to the largest such market, Japan, where shipments fell by 21% compared to 2014. The main increase in purchases came from Australia, with volumes up 60% year on year, and smaller Asian markets such as South Korea and Taiwan. Shipments to China fell by 4%.

## Poultry

Turkey prices remain firm with the seasonal increase set to arrive as stocks are laid down for Christmas.

Chicken prices remain firm with poultry seen as a key BBQ commodity adding pressure for supply of thigh / wings / drumsticks and breast meat for kebabs & summer eating.

One of the most versatile of protein's poultry meat is easy to pre-prepare and cook, low in fat and can lend itself to almost any flavour or coating.

