



Market Report

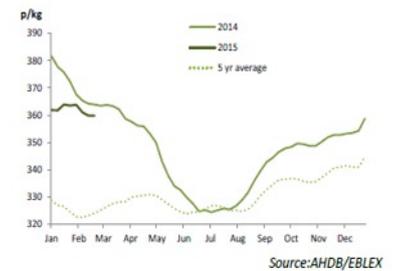
March 2015

UK Beef

Modest easing in the prime cattle trade

Through February so far the prime cattle trade has been relatively finely balanced, with small changes in available supplies having an impact on prices offered by processors. The anticipated first quarter slowdown in consumer demand could be just starting to take the edge off trade and act as a barrier to any upwards pressure on price, particularly for more commercial cattle. Reports suggest that the trade for cattle meeting supermarket specification or particular schemes has remained buoyant but that some buyers have been more selective. In week ended 21 February, the overall GB prime cattle average price was back 4p over the past three weeks to 359.8p/kg. While steers also came back 4p to average 361.2p/kg, heifers were down 5p at 362.4p/kg and young bulls averaged 3p lower than at end of January at 327.3p/kg.

Average deadweight cattle price



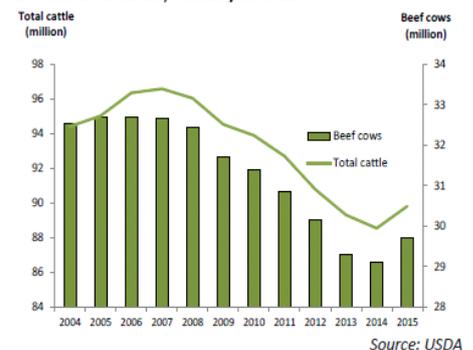
Uplift in steer numbers slows down

UK prime cattle slaughterings in January were up just 1% on the year at 182,300 head. Higher steer throughputs in all regions of the UK continued to drive the year-on-year increase, although heifer numbers were also above year earlier levels in Northern Ireland. While steer throughputs are still tracking significantly above year earlier levels, the year-on-year uplift has appeared to slow. In England and Wales, the year-on-year increase was just 5%; this represents the first sub-10% increase since September last year. For another month, young bull throughputs were significantly back on the year as the impact of increased castrations continues to have a bearing on the overall slaughter mix. Overall, adult cattle throughputs were up across all the regions of the UK. While trade has continued to be firm, especially for cows of beef origin, it is possible that the challenges in the dairy sector could, for another month, have led to an increase in the number of cows coming forward. While it may be a little early to ascertain a realistic picture of developments, reports are starting to suggest that more cows are likely to be marketed over the coming months, especially if demand stays firm and prices robust.

Global Snapshot

- US Cattle numbers in tight supply, prices strong
- Brazil Feb see's a slow start for exports of beef
- Uruguay Sustained growth in Feb of 4.5%
- Argentina confident in working with China
- Russia Miratorg set to supply McDonalds
- Paraguay Increased availability puts downward pressure on prices

US cattle numbers, January census





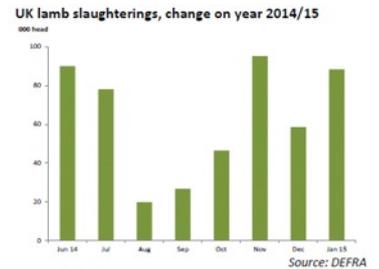
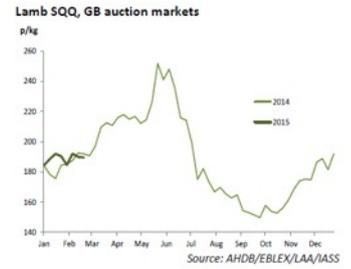
Market Report

March 2015

UK Lamb

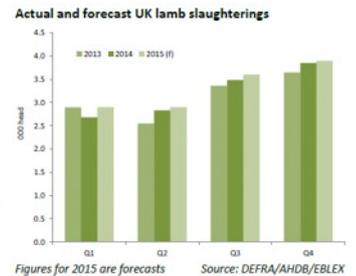
Lamb trade holding firm

With prices continuing to track close to last year's position, the lamb trade has continued to demonstrate a moderate degree of positivity over the past few weeks. In week ended 21 February, at GB auction marts, the SQQ levelled at 189.5p/kg. Since the turn of the year the SQQ has moved within a narrow range of 185p to 192p/kg as the trade appears to be finely balanced, with only small changes in throughputs having an effect on prices. Despite more cull ewes coming forward in February so far, the cull ewe market at auction is also continuing its robust performance. The average value in week ended 21 February was around £75 per head. This represented the fourth consecutive week that ewes have traded around this level, consistently £20-£25 per head ahead of the same period last year.



Increased supplies forecast for 2015

The final UK figures from the 2014 June census confirm that last year's lamb crop was the largest since 2006. As a result, lamb slaughterings for the first seven months of the season (June 2014-January 2015) have increased by around 5%. On the flip side, adult ewe and ram cullings have been sharply down on 2013's inflated levels. Therefore, sheep meat production only rose by 3% last year. Looking ahead, the breeding flock is expected to have shown a small increase, continuing the recent trend, although figures aren't published by Defra until next month. With ewe slaughterings well down, it seems that fewer ewe lambs will have been retained for breeding. Prospects for this year's lamb crop currently look reasonable, although anecdotal reports suggest that scanning results are mixed. There is also still time for weather conditions or other factors to reduce numbers, so the lamb crop for the 2015/16 season is currently forecast to be little changed, despite the bigger flock. With the lamb crop estimates suggesting a large carryover into the start of 2015, slaughterings in the early part of the year are expected to remain well above last year's levels. The earlier Easter will also pull forward any lambs being aimed at that market into the first quarter. As we move towards the switch over between seasons, growth in throughputs is likely to slow relative to last year. Carcase weights are expected to remain high for the remainder of the current season but are then expected to return to more typical levels. With a slightly larger and older breeding flock, adult sheep slaughterings are forecast to pick up again in 2015, although not to the inflated levels of 2013. These changes mean that UK sheep meat production is forecast to rise by 4% for 2015 as a whole, with the sharpest rise in the early part of the year, taking production to its highest level since 2008.



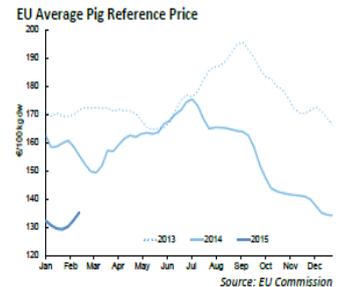
Market Report

March 2015

Pork

The EU-spec GB APP in January followed a similar trend, falling 3.57p per kg on the month to 144.06p per kg. Again, this has in part been affected by high post-Christmas throughputs, as well as following the downward pressure on price evident to producers throughout the EU. The price differential between the APP and the SPP narrowed in January to 3.36p per kg, the smallest gap since September as the premium market has apparently increasingly come under the same pressures as the standard market. Prices are beginning to show some positivity, which could encourage a higher kill in the coming months.

Throughout 2014, the UK imported more pork, bacon, processed pig meat and sausages than in 2013. However, in spite of the unprecedented gap between UK and EU prices, the rise was modest. Pork imports rose by 2% on the year with prices down 7% on 2013. With an increased share of pork remaining in the EU, as product was diverted from Russia throughout the year, Denmark supplied over a quarter of the total. Belgium, France and Spain also increased their shipments. For Poland trade more than doubled despite potential ASF fears. German and Dutch trade, however, was down on the year. Denmark was also the main supplier of bacon in 2014, and its trade was up 11% on the year, whereas Dutch shipments dropped by 5%. The average import price was 9% lower. Sausage imports increased the most on the year but still by only 4%, with a notable rise from Ireland. This made it the second largest supplier, while it remained the largest for other processed products, despite a 5% decrease in this category on the year.



Prices set to increase on YOY trend

The EU finished pig reference price dropped over €2 per 100kg through January. At week ended 25 January, the price was €129.19 per 100kg, over €30 down on the year. However, in the following three weeks the price increased by around six euros to €135.16 per 100kg, the first rises since the start of August. The normal seasonal trend is for rising prices after a short New Year slowdown and this appears to be the case this year. The recent depreciation of the euro against the pound means the decrease equated to 6p/kg throughout January and the subsequent recovery has added less than 3p. These changes mean the gap between UK and EU prices remains high, at 34p (45 cents).

Poultry

UK Poultry statistics (DEFRA)

- UK commercial layer chick placings were down 19% to 3 million chicks.
- UK broiler chick placings were up 0.8% at 90.9 million chicks.
- The number of turkey chick placings were up 13% at 1.3 million chicks.
- Turkey slaughterings were down 2.4% at 1.9 million birds.
- UK broiler slaughterings were 1.1% lower at 84 million birds.
- Total UK poultry meat production was 150.8 thousand tonnes, down 7.6%

