



BIRTWISTLES

Market Report

AUGUST 2017

Market Report

JULY 2017



Beef - UK

Cattle prices recoup losses

GB prime cattle prices in week ending 22nd July recovered the losses of previous weeks, with the all-prime average gaining 1.35/kg to reach 369.16/kg. However the picture across different categories of prime animal was mixed. Steers meeting R4L specification were unchanged at 382.5/kg while the average price of young bulls rose by 1p to 362.1/kg. The overall price for young bulls rose by 3.6p to 355.9/kg. Cow prices were also mixed in the same week. Carcasses meeting O4L specification fell by 0.3p while overall cows rose by 2p to 255.9/kg. While demand for cow beef is expected to slow over the next 6 weeks, processors stocks on the continent are reportedly low. Therefore this is expected to keep demand stronger, partly contributing to the overall rise in cow prices. Estimated slaughterings of prime cattle rose slightly to 29900 on the week but this is still 3,000 less than July.



Cattle market at a glance

GB Deadweight prices week ending 22/07/17

| | | Price p/kg dw | p/kg change on wk |
|-------------|------|---------------|-------------------|
| Steers | R4L | 382.5 | +0.1 |
| | All | 368.5 | +1.1 |
| Heifers | R4L | 379.0 | -1.5 |
| | All | 371.9 | +0.3 |
| Young bulls | R3 | 363.7 | +2.9 |
| | All | 355.9 | +3.5 |
| Cows | -O4L | 278.0 | -0.3 |
| | All | 255.9 | +2.0 |

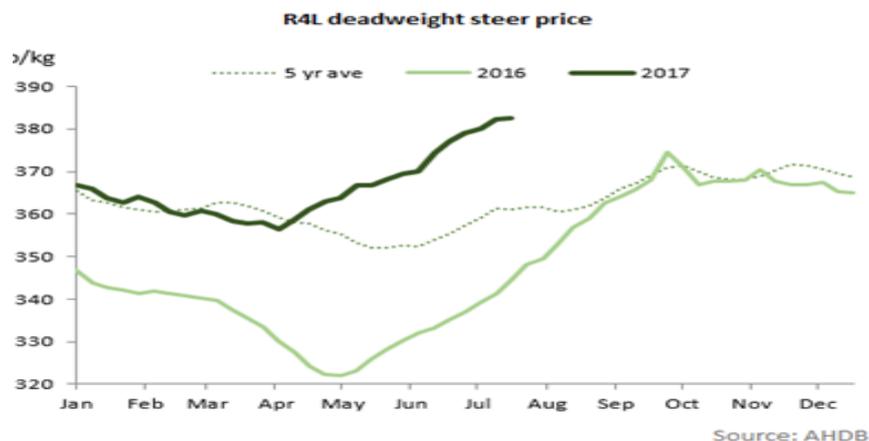
GB Liveweight prices week ending 26/07/17

| | Price p/kg lw | p/kg change on wk |
|-------------|---------------|-------------------|
| Steers | 194.6 | -2.3 |
| Heifers | 207.1 | -1.0 |
| Young bulls | 184.9 | +1.3 |
| Cows | 123.6 | -0.6 |

GB Estimated slaughterings

| | 22/07/17 | 15/07/17 |
|-------------|----------|----------|
| Steers | 15,300 | 15,400 |
| Heifers | 10,700 | 9,900 |
| Young bulls | 3,900 | 4,200 |
| All prime | 29,900 | 29,600 |
| Cows | 9,900 | 9,500 |

Source: AHDB/LAA/IAAS



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Beef – Rest of the World

Australia

MLA Beef update

As the largest non-EU trading partner for imported fresh and frozen beef, Australia is important to the UK beef sector although volumes have been falling since 2014. Since 2016 and the fall in the value of sterling this fall has become more apparent. At the beginning of the year, MLA released their outlook for 2017 with headline figures suggesting a decline in slaughter, production, exports and live exports. However the recent updates suggest slaughters to remain stable year on year at 7.25 million head and production is now expected to rise by 2% to 2.17 million tonnes and the forecast for 2017 indicates little change.

With forecast increases in production, a rise in exports is also expected. Australia has recently recorded a drop in market share of exports to both Korea and Japan. So far in 2017 Brazil has faced two food safety scandals, although with little impact on Brazilian export levels overall. However this could still be seen as an opportunity for Australian exporters along with the fact that the USDA has banned imports of all Brazilian Beef. With both Australia and the US looking to increase beef production and fighting over key export markets, global beef prices may well come under pressure which could have a knock on effect on UK beef prices.

Poland

Growth in Polish Beef exports stalled

Poland has emerged as a major supplier of low cost beef to other EU markets in recent years but there are signs that both production and export growth is now slowing down. Beef and Veal production growth amounted to 13% in 2014 and 2015 but slowed down considerably in 2016. This in turn is impacting on export availability and exports fell in 2016 by 2% to 405,000 tonnes.

As the domestic market for beef is small in Poland with per capita consumption of only 2kg, developments in production have a strong bearing on the country's export performance. Exports account for 80% of domestic production. The largest market for Polish beef is Italy followed by Germany, the Netherlands and Spain. Assuming the past market growth in Polish beef exports has come to an end this could see added pressure somewhat on the EU beef market especially in those countries taking significant quantities of Polish product.



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Lamb

GB Liveweight lamb Prices fall but deadweight price holds firm.

Liveweight lamb prices have fallen in the latest week by almost 17p on the week earlier to 191.66/kg which follows the usual seasonal pattern. However prices still stand at 10p higher than a year earlier. Throughput of spring Lambs have risen by 1% to 115,000 head. However throughputs compared to the same week last year are down by 2%. Large numbers of cull ewes continue to come forward with 43,000 head this week which indicates a rise of 24% compared to the same week last year. Hoggett throughputs continue to decline.

In the week ending 26th July, deadweight prices have remained consistent with previous weeks at 466.5/kg, a rise of 0.3p/kg. Compared to the same week last year the price now stands at 44.5p/kg higher. The deadweight market is holding firm, which could be due to global supplies of sheep meat being tight.

Lamb - Global

New Zealand

Will Lamb Imports from New Zealand return to normal in 2018? EU heavy Market take off

So far in 2017, the UK has been the third largest importer of sheep meat in the world, while holding it's position as the third largest exporter globally. Many UK farmers have concerns regarding the import of sheep meat from other countries, and competing against UK produced lamb. Some UK retailers are now making commitments to only sell UK lamb. Most sheep meat imported is from New Zealand. New Zealand recorded a 1% fall in lamb crop compared to the previous year, to 23.7 million head. This was a 63 year low for the country.

This year UK production has seen some unusual trends, due to the high number of old season lambs the UK had higher production during the early months of 2017. New Zealand has had a smaller crop, which combined with lower UK prices to mean exports fell back by 20% year on year. Using data from New Zealand Meat Board, between October 2016 and June 2017 throughputs have fallen by 6% to 19.88 million head compared to the same period in the previous year. This is possibly due to New Zealand farmers rebuilding their flocks after droughts in 2016, perhaps selling more stock earlier rather than fattening the stock in 2016. It is not expected that this will become the new normal trend.

Global demand for sheep meat is increasing. Demand in China has been growing over the last 10 years. Since 2006 Chinese consumption has increased by over 0.5 kg per capita alongside an increase in population. New Zealand's peak exports of lamb to China was in 2014 at 158,174 tonnes. In 2015 export levels were similar to those of 2013. Over the last two years there has been a decrease in export volumes to China. However, China has also been producing more of its own lamb meat. So although there has



Sheep market at a glance

| GB Liveweight prices week ending 26/07/17 | | |
|---|---------------|-------------------|
| | Price p/kg lw | p/kg change on wk |
| Lambs SQQ - NSL | 191.7 | -16.7 |
| | £ per head | £ change on week |
| Cull ewes | 62.9 | -4.3 |
| Store lambs - NSL | 59.3 | -0.0 |

| Deadweight prices week ending 22/07/17 | | |
|---|---------------|-------------------|
| | Price p/kg dw | p/kg change on wk |
| GB lambs SQQ - NSL | 466.5 | +0.3 |
| European prices week ending 23/07/17 (converted from €) | | |
| United Kingdom | 461.9 | -0.5 |
| Republic of Ireland | 424.8 | -21.0 |
| France | 581.0 | +0.7 |
| EU-25 | 473.6 | -2.7 |

| Estimated slaughterings (lambs) | | |
|---------------------------------|----------|----------|
| | 22/07/17 | 15/07/17 |
| Great Britain | 244,000 | 237,700 |
| Northern Ireland | 10,700 | 6,500 |
| Republic of Ireland | 49,600 | 49,300 |

Source: AHDB/LAA/MAAS, EU Commission, Bord Bia, DAERA

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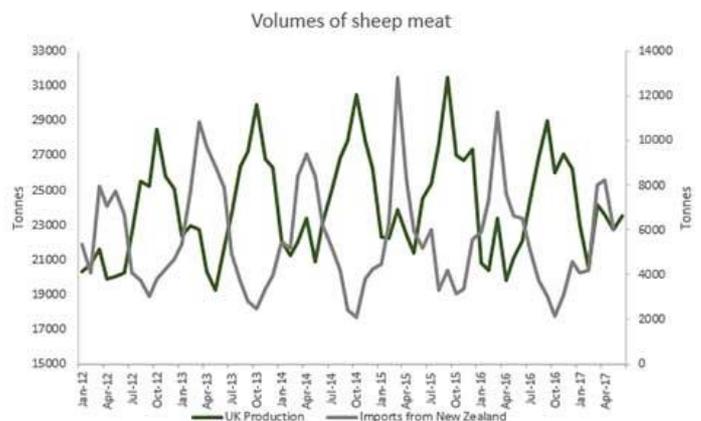
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been a fall in the quantity of New Zealand lamb going to there, it has increased its market share of China's imports over recent years. However, in the first five months of 2017, China actually imported 6,000 tonnes more of New Zealand lamb than the same period in 2016 partly as New Zealand producers responded to lower UK prices.

In March 2017 New Zealand and China signed a trade agreement allowing New Zealand to ship chilled lamb to China for the first time. Initially this is a six month trial period for 10 production plants. The first shipment arrived in Shanghai in July 2017. Australia currently exports chilled sheep meat to China and will be in direct competition with New Zealand. If the trial is successful then a longer term trade deal may be negotiated.

Free markets will naturally balance imports, exports, and domestic production in order to meet both domestic and global demand. This helps maximise the utilisation of the carcase. In 2018 it is expected that New Zealand and British lamb production will return to a more traditional pattern and in turn that imports and exports will too.



Source: AHDB, IHS Maritime and Trade - Global Trade Atlas®, HMRC

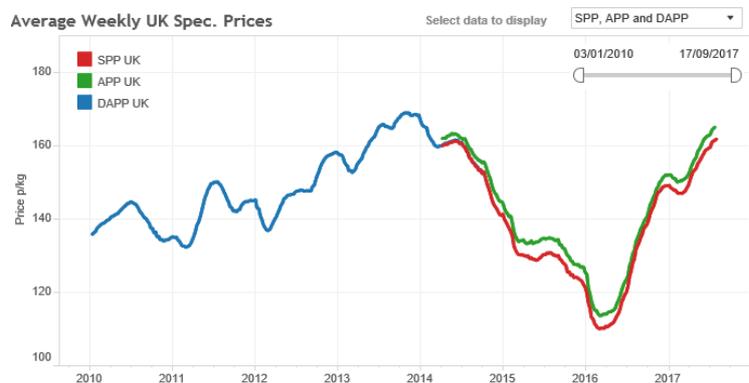
Pork

Pig prices UK

At 161.48p/kg, the UK-spec SPP reached the highest level since the series began in April 2014, for week ended 22 July. This followed from a modest increase of 0.23p on the previous week, which also left the current quote over 33p higher than the same point last year.

Estimated slaughterings increased for the second consecutive week, climbing 2% to reach 162,000 head. However, this total was still 9% behind equivalent year earlier levels. Nonetheless, reports suggest the market is coming back into balance as the traditionally more difficult summer period approaches. This, alongside some cooling in the continental market, could impact pig prices in the coming weeks.

Average carcase weights gained 0.36kg in week ended 22 July, reaching 84.43kg.



Standard Pig Price (SPP)

The EU-spec APP also increased in week ended 15 July, adding 0.48p to the previous week's record price to reach 164.71p/kg. This meant the gap between the APP and SPP widened again, to 3.46p

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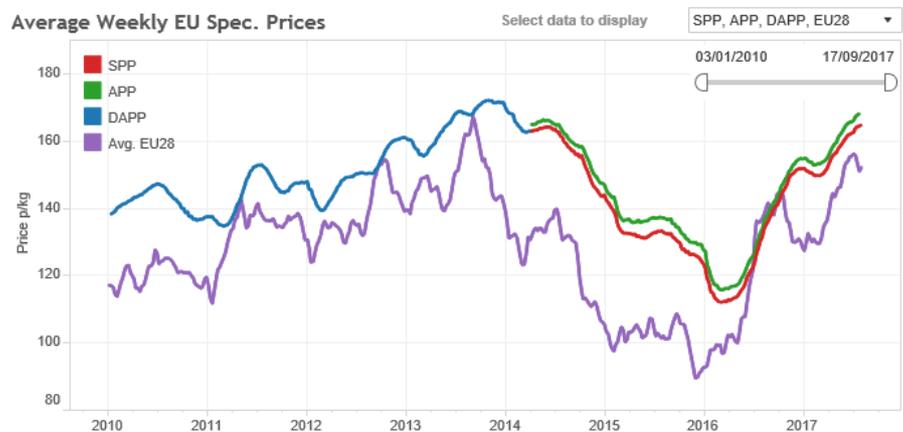
Pig prices EU

At 164.43p/kg, the EU-spec SPP reached the highest level since the series began in April 2014, for week ended 22 July. This followed from a modest increase of 0.23p on the previous week, which also left the current quote over 34p higher than the same point last year.

Estimated slaughterings increased for the second consecutive week, climbing 2% to reach 162,000 head. However, this total was still 9% behind equivalent year earlier levels. Nonetheless, reports suggest the market is coming back into balance as the traditionally more difficult summer period approaches. This, alongside some cooling in the continental market, could impact pig prices in the coming weeks.

Average carcase weights gained 0.35kg in week ended 22 July, reaching 82.91kg. This was also 1.5kg higher than the same week in 2016, as carcase weights dropped almost half a kilo in the week last year.

The EU-spec APP also increased in week ended 15 July, adding 0.49p to the previous week's record price to reach 167.72p/kg. This meant the gap between the APP and SPP widened again, to 3.52p



Standard Pig Price (SPP)

UK Poultry – Poultry and Poultry Meat statistics (Defra for June 2017 compared to May 2016)

UK commercial layer chick placings were down by 20% to 2.5 million Chicks

UK Broiler Chick placings were up by 8.1% at 81.6 million chicks

Turkey Chick placings were down by 4.1% at 1.2 million chicks

Turkey slaughtering's were up by 2.4% at 1.0 million birds

UK broiler slaughtering's were up by 7.6% at 80.2 million birds

Total UK poultry meat production was down by 2.9% at 131.2 thousand tonnes.

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Poultry – Global Issues

The Polish market is tightening up

The Polish Office is predicting a shortage of Chicken from Poland during August. The EU supermarket promotions are expected to peak during mid- August which will mean less availability for the wholesale sector. Already some suppliers are pushing increases through due to the high retail demand and the low currency exchange rate.

The summer trade across the EU along with the warm weather has increased Chicken sales especially for the BBQ trade. This along with several supermarket promotions is again putting pressure on prices. The high temperature has also caused more bird deaths and condemned Chickens with high micro tests. There is also increased demand for Poultry due to the current high prices on Pork as consumers look for a cheaper alternative protein.

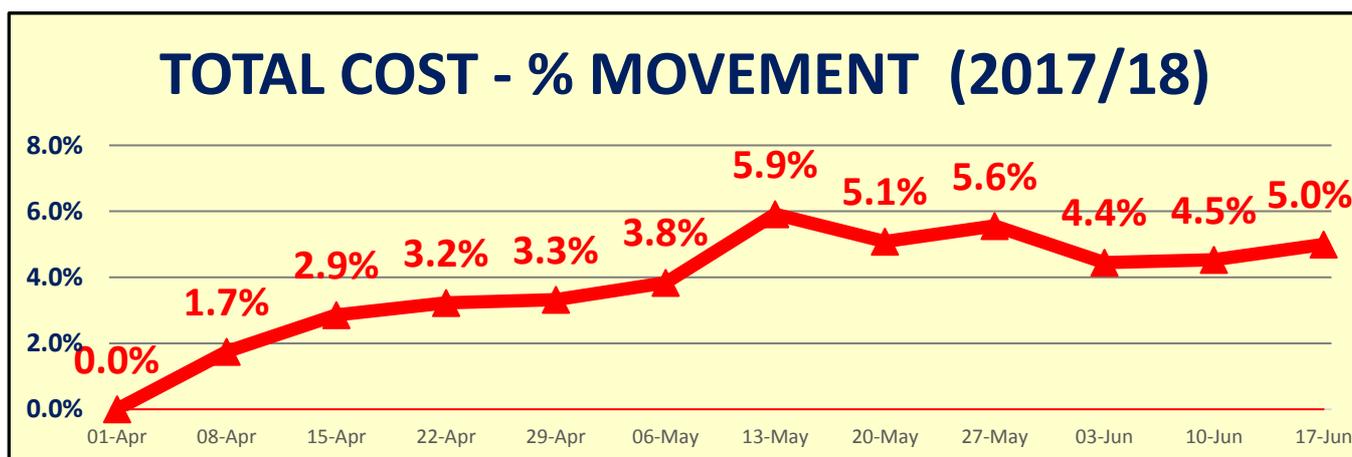
In short there are increased demands and less raw material available to satisfy demand which is putting prices under severe pressure.

Currency

The pound has fallen recently against the Euro and now today stands at 1.12 Euros to the pound. The pound has fallen since the General Election result which is a far cry from when the Election was announced when it stood at 1.20.

Cost Movement Report

The graph below shows the increases in the market prices of all raw products since 1st April 2017. The graph clearly shows that raw material prices have increased and the forecast is for further increases over the coming months.



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