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Market Report

MAY 2018

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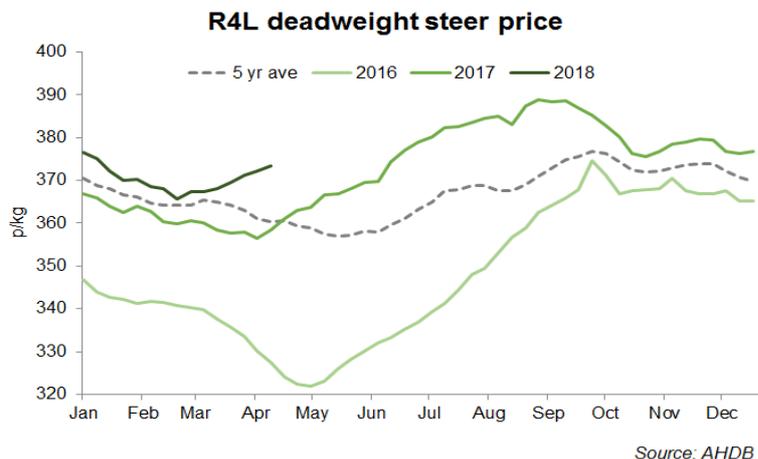
Steer prices gain

In the week ended 14 April, the GB all prime average cattle price gained 1.37p on-the-week, to 361.58p/kg. Currently the measure stands around 15p above year earlier levels. Reports suggest that with the current wet conditions, some producers are keen to send cattle forwards, especially with high straw prices continuing, although on the whole most large finishers appear to have enough fodder. Turnout will however be delayed for many.

Steer prices have gained slightly over the past week by around 1p, while heifer prices also received a boost. The overall heifer price gained 3p on the week, at 364.1p/kg. Currently, heifer carcasses meeting the R4L specification stands around 10p above the overall price. Young bull prices were more of a mixed bag in terms of performance, with the overall price gaining almost 3p week-on-week, while the R4L specification carcass price declined by almost 10p. Young bull carcasses meeting the R3 specification gained a more modest 0.6p on-the-week.

Estimated slaughtering for the week ending 14 April stood at 33,400 head, 3% higher than in the same week last year. This is a week-on-week rise of 14%, which was not un-expected, as the previous week included a bank holiday.

During the week ending 14 April, the overall cow price gained 0.7p on the previous week to average 257.8p/kg, while the price of cow carcasses meeting the -O4L specification gained a similar amount, at 281.1p/kg. Estimated cow slaughtering for the week totalled 11,300 head, with slaughtering generally ahead of year earlier levels. Some of this year-on-year increase may be due to the conditions over recent months, with many fields still very wet for the time of year. The strong farm gate price may also be encouraging numbers to come forward.



EU cow prices rise, while young bull prices fall

Tuesday, April 17th, 2018

In the week ended 8 April, the EU average price for young bulls meeting the R3 specification declined €2.29 on the previous four weeks, to €388.09 per 100kg, according to data from the European Commission. This follows a strong increase in production during January, although the price still stood €17.14 above year earlier levels. The UK price, which can be volatile due to the UK more often finishing male cattle as steers than young bulls, gained €13.78 in the same period to, €406.25.

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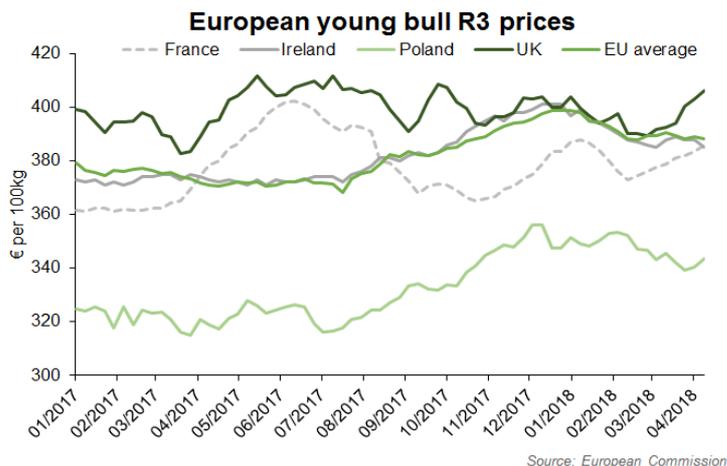
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The Polish and Spanish, prices also declined, while the French measure increased during the period. Spain suffered from drought last year, but has had a better start to 2018, and more animals are expected to be finished this year. Global production of beef is reported to also currently be strong, with many key countries on the global market increasing production for 2018 on 2017.

Prices for cow carcass meeting the O3 specification have performed strongly recently, with the EU average gaining €2.24 on the previous four weeks and up €18.95 since the same week last year, to €304.15. In euro terms, the UK price has done very well gaining €22.78, to €326.17 over the last twelve months. UK cow beef on the EU market has become increasingly more expensive since the start of 2018 as sterling has strengthened against the euro. The measure in the Netherlands has also increased significantly in the past four weeks, to €305; while the Ireland measure has increased by a more modest €2.96, to €331.50. The Spanish price has also gained in the most recent four weeks, to €237.69.



The Spanish price has also gained in the most recent four weeks, to €237.69.

Demand increase in Asian beef markets

Wednesday, April 18th, 2018

Overall, global trade in beef has recorded significant year on year growth over the last 5 years. In 2017 8.3 million tonnes of beef were traded worldwide, a 19% increase compared to 2012. Over this period, the southern and eastern parts of Asia have become increasingly important destination markets for the world's beef production, the rise of affluent populations in these regions supporting beef consumption. Shipments to the larger importing countries in these regions rose to almost 2.5 million tonnes in 2017 increasing their combined share of global imports from 15% in 2012 to 30% in 2017.

Key destinations for beef imports in Asia in 2017 were China, Japan, Hong Kong and South Korea. Collectively they accounted for 83% of trade with Asia. Other important growing markets are the Philippines, Indonesia and Singapore, all recording year on year increases in 2017. The only exception was Malaysia where shipments fell by 4% year-on-year in 2017

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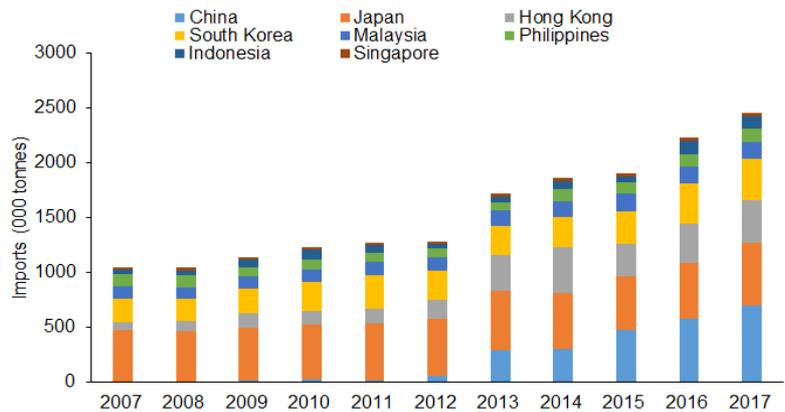
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China continues to be the main driver behind the increase in imports for the region overall, with an increase of 115,000 tonnes in 2017, a 20% rise on the year. This is closely followed by Japan, who increased their imports of beef by 14% over the course of 2017 to remain the world's third largest importer of beef.

UK beef exports to Asia are limited, but have been increasing. Of the countries mentioned above, the UK has market access to all but China, although steps are being taken to gain market access for UK beef exports to China. The road is a long one. Generally, other imports to China are highly competitive which is challenging, however, consumer demand for premium imported beef is growing which has the potential to be a valuable market for UK beef products. The most significant UK beef exports are to Hong Kong, which has a high demand for premium meat making it an attractive market for premium UK meat. In 2017 the UK exported 7,000 tonnes of beef to Hong Kong, a 76% increase year-on-year.

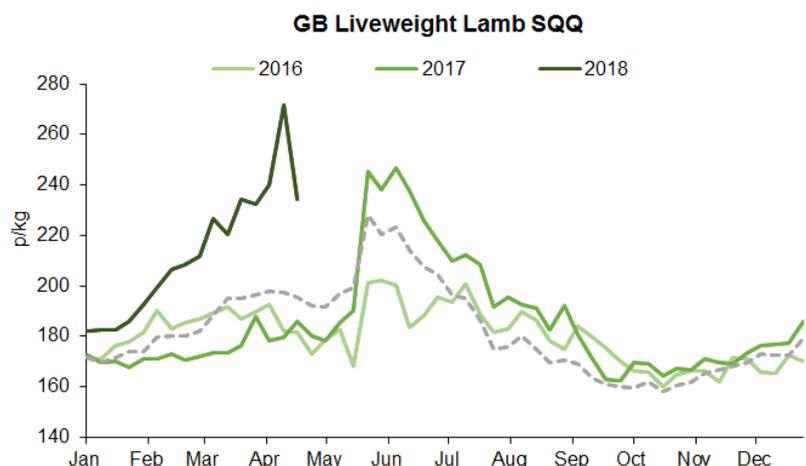
Total fresh/frozen beef imports by country



Source: IHS Maritime & Trade - Global Trade Atlas®

Lamb prices - deadweight breaks the £6 mark

In the week ended 18 April, the GB live weight OSL SQQ fell 37.53p on-the-week, to 234.25p/kg. In the prior week there was a sharp rise and therefore this decline brings the measure back to roughly where it stood three weeks ago. Compared to the same week last year, this price is 48.32p higher. The GB live weight NSL SQQ also declined during the week (-28.28p), to 283.27p/kg. Auction market throughputs stood at 103,736 head which is a week-on-week decline of 16% (20,600 head). However, throughputs were still 11% (9,900 head) above the same week last year. Cull ewe throughputs totalled 39,600 head, 11% (3,800 head) higher than in the previous week.



Source: AHDB, LAA, IAAS
OSL prices from 1st Jan to 3rd week in May, then NSL prices until December

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During the week ending 14 April, the GB deadweight OSL SQQ gained 54.7p on-the-week, to 601.9p/kg which is the first time the deadweight SQQ has broken the £6/kg mark. Currently the OSL measure is standing 189.9p above the same week last year. In the same week, the GB deadweight NSL SQQ increased by 46.5p, to 615.5p/kg. Estimated slaughtering for the week stood at 159,600 head, which is lower than the corresponding week of last year. However, this time last year was the Easter kill period.

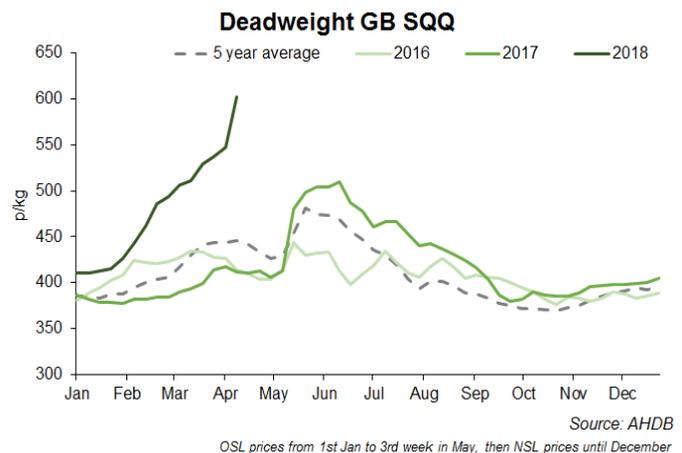
What has been driving lamb prices in quarter one of 2018?

There is no denying that sheep prices have been soaring upwards recently. In the week ended 14 April, the GB deadweight OSL SQQ stood at 601.9p/kg, the highest the deadweight hogget price has ever been and the first time the measure has moved above the £6/kg mark. The liveweight OSL SQQ is also well above typical historic levels for this time of year. But what has been behind the rally?

Some of the industry were somewhat surprised by the high prices recorded considering the AHDB forecast implied production would be higher than in 2017. Defra slaughter data indicates that clean sheep slaughtering were slightly higher than forecast. At 69.6 thousand tonnes, production in the first quarter has been 2.7% higher than Q1 2017. This is however lower than the 72 thousand tonnes forecast in October, due to fewer ewes than expected coming forwards. During 2017 several global markets began to rally. Australia rallied very quickly early in the year, with the New Zealand price soon following. The Chinese wholesale mutton price began to sharply rise in the summer of 2017.

The GB price did not follow suit until 2018, and so the difference between New Zealand and GB prices narrowed during 2017 and has now begun to widen again in recent months.

Last year New Zealand exports to the UK declined sharply year-on-year, in part due to lower supplies available in New Zealand but also the narrower price difference. These lower level of imports into the EU are expected to continue through 2018, according to Beef and Lamb NZ. AHDB highlighted the possibility that New Zealand exports to the UK would continue to decline in 2018 back in October. While the price difference between New Zealand and GB prices has begun to widen since the GB price rally, according to Beef and Lamb NZ, import value per ton remains less attractive than other markets.



Source: AHDB
OSL prices from 1st Jan to 3rd week in May, then NSL prices until December

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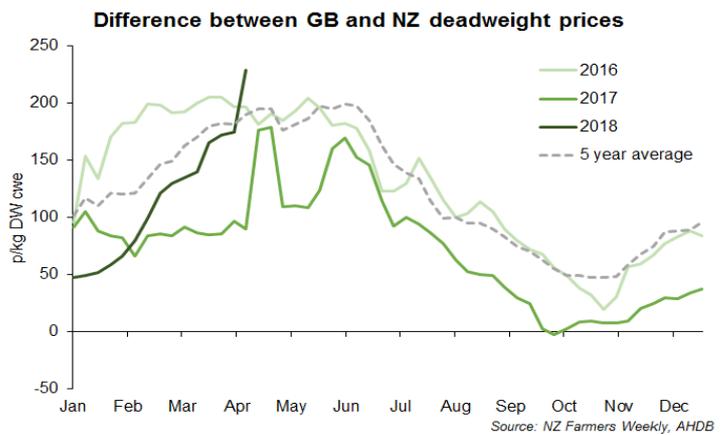
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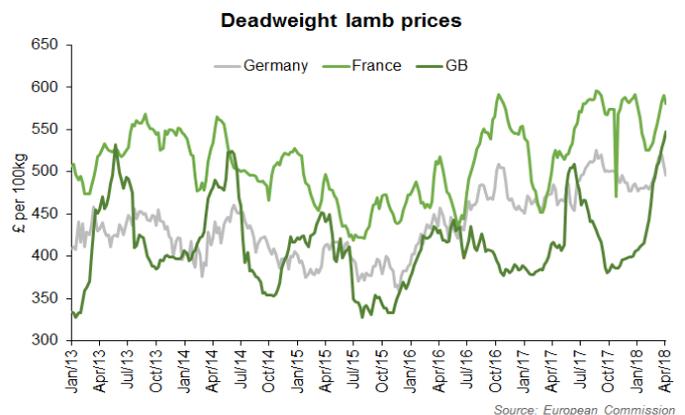


So what has allowed prices to rally so sharply and to reach such high levels? Well, as seen above, New Zealand exports to the whole of the EU are expected to decline, which is supported by the latest trade data, and AHDB expects March data to be no different. Industry reports also suggest that export demand may also be up for the UK, which is tightening total supplies on the domestic market.

In addition, the French farm gate price has rallied at the same time as the GB price. Typically when the GB price increases, and reaches the French price the GB price cools off but in 2018 both prices have rallied together meaning the ceiling type effect typically created by the French market has moved upwards as the GB price increased. However, as the GB price has rallied quicker than the French price, the competitive edge British product might have over French product as narrowed, especially when taking into account transportation costs.



The question many have been asking, is can and will the price hold up over the coming months? With slaughtering typically growing during quarters two and three, this may bring with it some downwards pressure on the price, but as we've seen, prices rallied during quarter one despite an increase in supplies. UK reported imports in the year-to-date are down by 0.5% on year earlier levels, to 12,000 tonnes, which is well below historic import levels for this time of year, according to HMRC. Imports from New Zealand have declined by 5% in the same period and are not expected to recover strongly any time soon.



Exports in the first two months of 2018 totalled 13,800 tonnes, a 16% year-on-year rise. The current net trade balance in the year-to-date stands at 1,700 tonnes, with indications that this positive position could well continue in the short to medium term. Industry reports also have suggested that domestic frozen stocks began the year lower than they would typically be. So, with total supplies, including trade, on the domestic market likely to remain tighter than usual through the coming months, and what seems to be quite a poor start to lambing this year, this could well offer continued support to prices.

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Pig Prices (EU Spec)

The EU-spec SPP for the week ended 21 April stood at 145.27p/kg, a modest increase of 0.11p compared to the previous week. Despite the slight week-on-week rise, the latest quote is 10.89p behind year earlier levels as prices were following a strong upward trend this time in 2017. This is the largest year-on-year drop since June 2016.

Estimated throughputs stood at 166,100 head for the week ended 21 April. This was 4% behind the previous week and on par with year earlier levels, despite slaughtering in 2017 being impacted by the Easter bank holiday. As such, it seems supplies have tightened somewhat, perhaps suggesting the challenging winter is now feeding into weekly throughputs. Average carcass weights stood at 83.74kg, 150g below the week earlier. However, this was still over 200g ahead of year earlier levels.

The EU-spec APP rose to 148.41p/kg for the week ended 14 April. This was a week-on-week increase of 0.50p. With the SPP recording a more modest increase in the equivalent week, the gap between the two series widened to 3.25p.

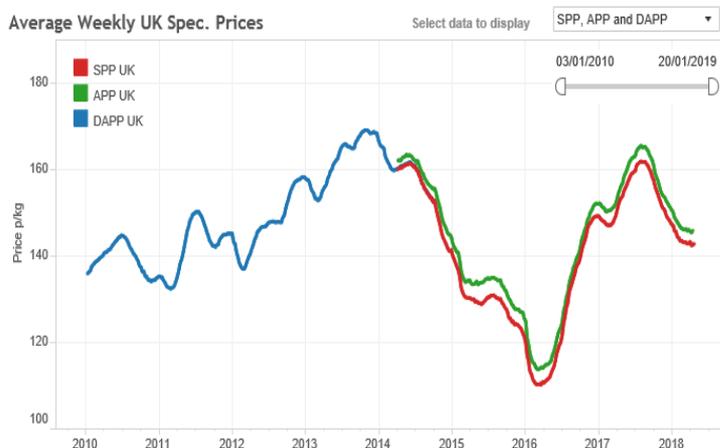


Pig Prices (UK Spec)

The UK-spec SPP for the week ended 21 April stood at 142.67p/kg, a modest increase of 0.12p compared to the previous week. Despite the slight week-on-week rise, the latest quote is 10.67p behind year earlier levels as prices were following a strong upward trend this time in 2017. This is the largest year-on-year drop since June 2016.

Estimated throughputs stood at 166,100 head for the week ended 21 April. This was 4% behind the previous week and on par with year earlier levels, despite slaughtering in 2017 being impacted by the Easter bank holiday. As such, it seems supplies have tightened somewhat, perhaps suggesting the challenging winter is now feeding into weekly throughputs. Average carcass weights stood at 85.26kg, 150g below the week earlier.

The UK-spec APP rose to 145.75p/kg for the week ended 14 April. This was a week-on-week increase of 0.49p. With the SPP recording a more modest increase in the equivalent week, the gap between the two series widened to 3.20p.



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Poultry market update

Last month, Brazil's government halted exports to the EU from BRF SA, the country's largest chicken processor, after allegations against the company emerged in an on-going food safety probe. Other companies have also been barred from exporting for not meeting certain EU rules, according to the agriculture ministry.

The discussion with the European Union regarding chicken exports "is a matter of product classification, not food safety," ABPA said.

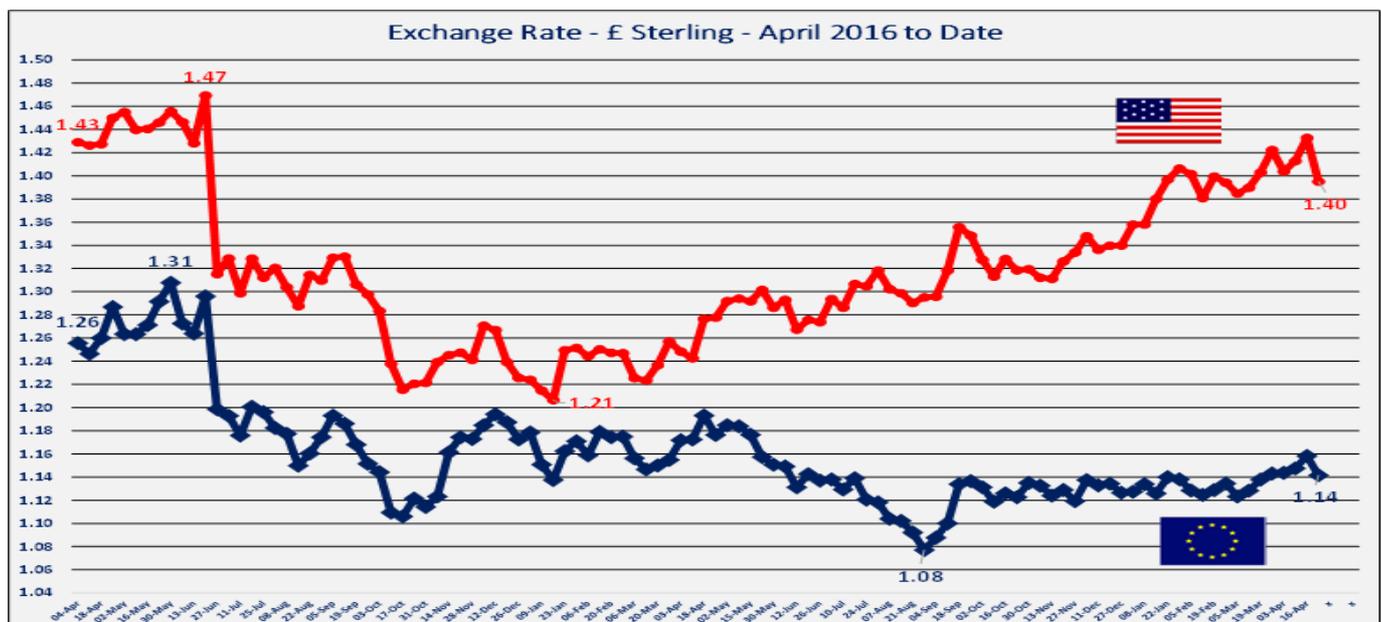
Europe have now officially made the decision to ban meat imports from several Brazilian suppliers this affects 30 to 35% of the country's exports to the bloc and will force companies to find new markets while officials work to reverse the measure, Brazil's Agriculture Minister said.

The European Union has suspended imports of Brazilian meat products, mostly poultry, in a move that affected 20 plants in the country that had been authorized to export to the EU

Brazil Currently are the 3rd biggest chicken exporter in the World behind the US and China this will undoubtedly lead to shortages in the EU especially among the Smaller Birds.

Prices are expected to rise 10-15% in the immediate future and dependent on the timescale of the resolution there could be further price hike as the weather improves and the demand from the Retail Supermarkets Increase.

Exchange Rate



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