BIRTWISTLES

Market Report

October 2018

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Beef Overview

As the weather changes seasonal demand on all Roasting Joints and stewing meat (diced beef etc) increases, the impact will cause the prices to rise on these cuts.

Cow prices are steady but there is still a high number of poor quality carcasses coming to market due to the heat through summer there was lack of natural feed causing a poor consistency on quality.

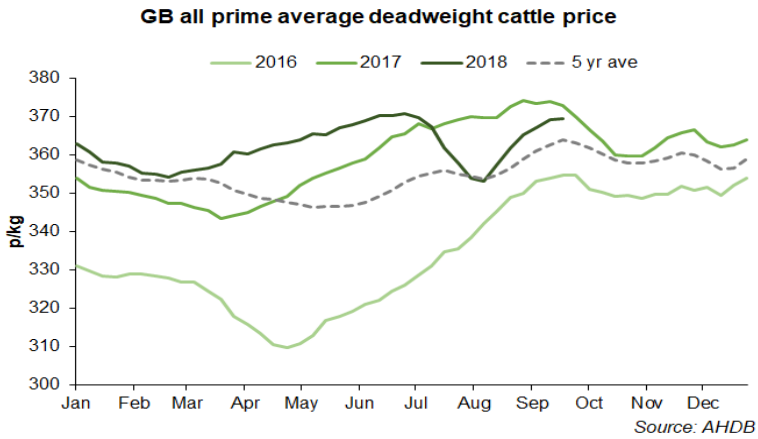
Imported Steak Meat is still a more viable option from a consistency, availability and price point of view, the quality is equally as good as the UK.

Cattle prices steady

Deadweight cattle prices were relatively unchanged in the week ending 22 September, compared to the previous week. The GB all prime average ended the week averaging 369.44p/kg. The price differential between this year and last continues to narrow, and is now 3.36p. The current price is 5.55p above the five year average.

Overall steer prices rose slightly, by just over half a penny to average 370.9p/kg in the week. R4L steer price rose by 1.1p to stand at 385.2p/kg. Meanwhile heifer prices showed no change on the week to average 371.2p/kg.

Estimated GB prime cattle slaughter was down 200 head (-0.7%) compared to the previous week and 400 head less (-1.3%) than the same week of 2017. Prime cattle slaughter for the week totalled 32,000 head, with 40% of the estimated slaughtering's derived from heifers; steers and young bulls making up 52% and 8% of the kill respectively. Heifer slaughtering's have been particularly high this year and GB estimated slaughtering's for heifers are now 15,200 head higher (+3%) than in 2017.



GB cow prices eased slightly on the week, down 0.7p to average 239.5p/kg. Estimated cow slaughtering's rose significantly in the week, up 700 head on the previous week and 2,000 head higher than the same week last year to total 12,600 head. Culling of unproductive or marginal cows prior to housing to try and mitigate forage shortages is the most likely reason for increased throughputs in the week. Industry reports suggest slaughter numbers could stay elevated in the coming weeks possibly putting pressure on the price

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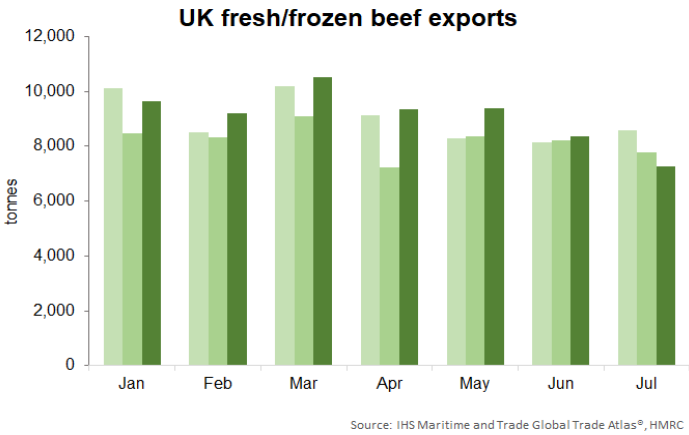
UK beef exports struggle in July but remain higher for the year

UK fresh/frozen beef exports during July declined by 7% (-500 tonnes) year-on-year to 7,300 tonnes. Declines have been predominately driven by a decrease in exports to Ireland, Hong Kong and Italy, down by 14%, 9% and 20% respectively. These declines were mitigated in part by a 20% increase (+300 tonnes) in shipments to the Netherlands, some of which is potentially being re-exported after processing. Exports to Belgium also increased by 57% to total 282 tonnes. Despite slight declining volumes overall, a 7% rise in the export price for July resulted in the value remaining largely stable at £30.8 million.



Export volumes for July have been decreasing for a number of years, however this does not necessarily mean that the export volumes are being completely lost. Looking at export data for May, June and July, recent trends show that declining export volumes in July are being picked up, in part at least, by increased exports earlier in the summer. As a result exports in the year up to July totalled 63,500 tonnes, up by 11% (+6,300 tonnes) compared to the same period of the previous year. Both fresh and frozen volumes have increased during the period, with fresh beef products making up 75% of export volumes. African markets such as South Africa and Ghana have shown strong growth in 2018, with exports to the two countries up by 65% (+230 tonnes) and 105% (+300 tonnes) respectively. Despite remaining a small percentage of total exports, developing markets such as these will become more important going forward.

UK fresh/frozen imports during July were up by 7% year-on-year (+1,500 tonnes) to total 22,000 tonnes. Ireland commanded a 69% share of total imports for the month with shipments from the country up 4% to 15,000 tonnes. The Netherlands also recorded an increase in deliveries, a potential result of the dry weather. However, Dutch dairy farmers are currently reducing herd sizes, resulting in an increased number of prime cattle and calf slaughtering's as fewer replacements are needed, and therefore more exportable product is available. Looking at Non-EU imports, after a Russian ban on Brazilian beef early in the year, Brazilian exporters have been shipping more product to EU destinations. July is no different, with volume to the UK up 252% (+381 tonnes) on the year, to total 532 tonnes.

Imports in the year to July are up by 5% to total 160,000 tonnes. Irish imports in the year to date are up by 6% to total 112,300 tonnes. Brazilian imports in the year to date are up 130% to total 2,000 tonnes. However it is worth noting that despite the year-on-year increase, imports from Brazil in the year to July are still below 2016 levels

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First Irish Beef Container Reached China

This will have an impact on UK importing beef from Ireland. Ireland currently makes up 67% of UK Beef Imports. China is a more valuable market for the Irish exporters and will be their preferred destination, meaning we may potentially have to compete to get produce which would certainly have price implications. China is the largest beef importer globally with imports predicted to increase to 2 million tonnes per year by 2020 with long term demand predicted to steadily rise. Beef imports alone are predicted to increase 11% in 2018. It is expected that Chinese domestic production in the future should grow due to increased dairy production but this will do little to offset the long term forecast growth in demand. China remains the main focus of attention for nearly every exporting country, and has become one of the few stable markets.

Lamb Overview

Lamb prices overall have decreased. Retail plants and exporting is the preferred destination from producers. The middles of lamb (racks and cannons) are still being exported for a premium throughout Europe and Asia. However overall the Lamb price has remained firmer than previous years and will continue to do so due to the premium prices producers can get by exporting

New Zealand beef and lamb outlook published

The new season outlook for New Zealand beef and lamb production forecasts no change in lamb exports in the 2018/19 season, remaining above $3 billion for the second season, while beef exports are set to decline.

Sheep numbers at 30 June amounted to 27.3 million head; down just under 1% year-on-year. Figures were a result of fewer breeding ewes in all regions driven by strong prices for cull ewes, but moderated by a lift in hogget numbers.

Beef cattle numbers at 30 June totalled 3.68 million head; a near 2% increase on year earlier levels, predominantly driven by an increase in weaner cattle held back in response to high prices of replacement stock. Meanwhile, dairy cattle numbers lifted slightly on the year to 6.6 million head.

The estimated volume of lamb meat exports in 2018/19 is projected to decrease by almost 2% due to decreased availability of lambs for export, however, this will be partly offset by a slight (0.5%) rise in average carcass weight. Total mutton exports are expected to see a large (15%) decline to $466 million, due to a large decline in volume. This fall is despite the projected 3.2% increased on the record 2017/2018 price of 417 cents per kg.

Beef and veal exports are expected to decline by over 3% to 415,000 tonnes, due to a predicted decline in the number of cattle processed for export to 2.51 million head. The value of shipments are also expected to decrease almost 3%, despite the more favourable exchange rate.

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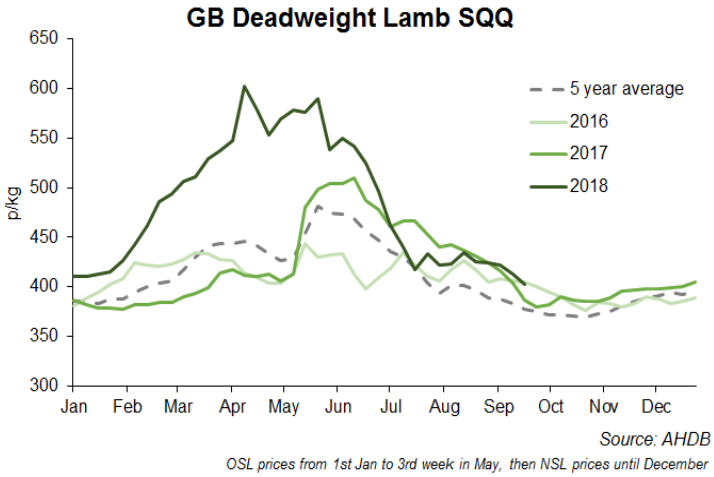
Mixed Bag for Sheep prices this week

Store lamb prices at auction markets in England and Wales typically record gentle downwards movement at this time of year.

This year has been no exception, although prices did receive a small amount of support this week. During the week ending 22 September, the price averaged at £54.40/head, up £0.41 week-on-week.

GB finished live weight trade remained stable during the week ending 26 September, with the NSL SQQ at 170.97p/kg, just 0.37p up week-on-week. Currently the quote stands 8.35p above year earlier levels, and up almost 11p on the five year average.



Auction market throughputs for the week picked up somewhat (+11% week-on-week) but remained below typical levels for this time of year, at 98,800 head.

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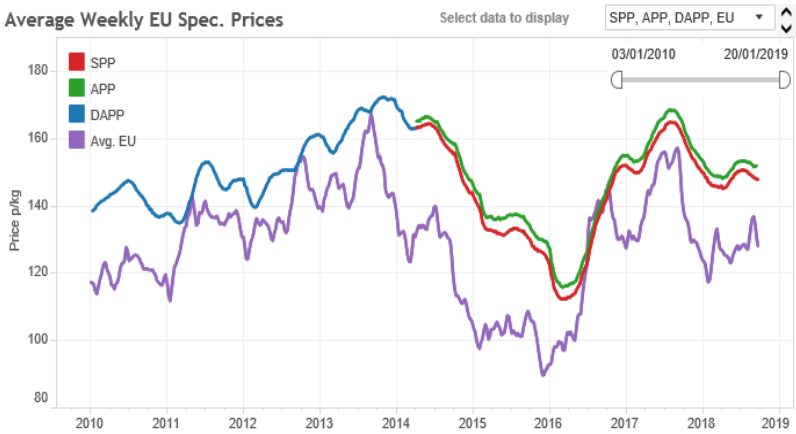
Pork Overview

EU prices softened but the market is unstable and prices are expected to rise due to the feed costs and the swine fever throughout Europe. UK Pork prices will rise due to an 8% price rise in piglets due to reduced fertility in pigs due to the heat experience this year and pressure from the export market. The export market is still the preferred destination due to the value of the pound and more profitable markets.

Pig Prices (EU Spec)

During the week ended 22 September pig prices continued to track down as they have been in recent weeks. The EU spec SPP fell by 0.09p, to 147.68p/kg. The price is currently 13.36p below last year's price.



GB estimated slaughtering's were up around 600 head on the previous week to total 172,600 head. Industry reports suggest that supply is slightly ahead of demand, which remains subdued. The average carcass weight for the SPP sample for the week remained steady at 82.89kg.

In contrast to the SPP, the EU-spec APP rose slightly on the week, up 0.16p in the week ended 15 September, to finish on 151.74p/kg. The current figure is 13.99p lower than year earlier levels. The current price rise has widened the gap to the SPP, now measuring a 3.97p difference between the two prices

Belgian authorities have confirmed African Swine Fever (ASF) in its pig population.

The Federal Agency for the Safety of the Food Chain (FASFC) confirmed that the outbreak took place in Etalle, 10 miles from the French border. According to an OIE report, four wild boar were found to be carrying the disease. Three of the animals were already dead when found, while the fourth was destroyed.

The FSASC said: "Samples were taken directly and sent to Sciensano [the national laboratory] who confirmed that wild boars carry the virus responsible for ASF. Wildlife control and prevention measures within pig farms are now being implemented at the regional and federal levels, respectively, in a high-performance collaborative framework. Biosecurity in pig farms is essential and the FASFC ensures that it is permanently properly insured."

The source of the outbreak is not yet known but control measures including zoning, added surveillance and official disposal of the animals, by-products and waste have been applied.

The agency added: “The situation is taken very seriously by the various authorities and levels of power in Belgium and the measures are carefully put in place and monitored, given the potential impact for the livestock and hunting sectors. A national task force was set up in early 2018 in this context. The different levels of power will continue to work closely together to maximize the effectiveness of prevention and control measures.”

Pig Prices (UK Spec)

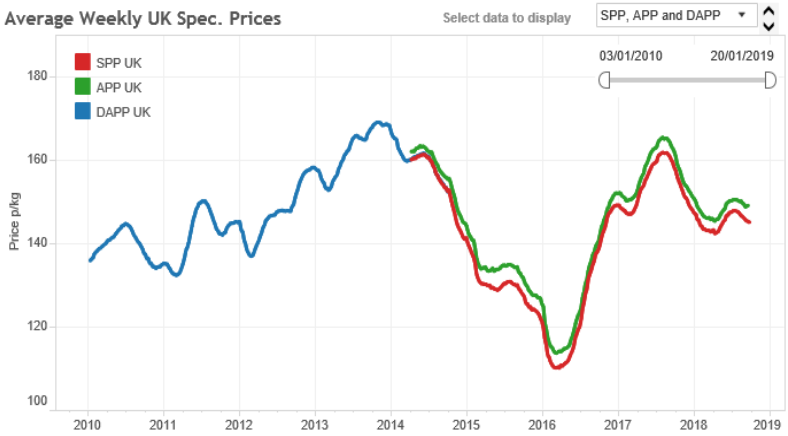
Heatwaves Lead to 8% rise in Piglet Prices. With dry spells lasting more than 80 days in some parts of the country this summer, the heat has reduced the fertility of pigs and red meat prices are set to rise in the long run.

Conditions of weather is something that farmers are well accustomed to, however the extreme weather seen this year has put particular stress on farming costs and yields. Also affected is the price of feed which is set to rise as due to the extreme weather there has been a weak harvest (Meat Management September 2018)

Pig Prices (UK Spec)

During the week ended 22 September pig prices continued to track down as they have been in recent weeks. The UK spec SPP fell by 0.08p, to 145.04p/kg. The price is currently 13.12p below last year’s price.

GB estimated slaughtering’s were up around 600 head on the previous week to total 172,600 head. Industry reports suggest that supply is slightly ahead of demand, which remains subdued. The average carcass weight was 84.39kg.



In contrast to the SPP, the UK-spec APP rose slightly on the week, up 0.16p in the week ended 15 September, to finish on 149.04p/kg. The current figure is 13.72p lower than year earlier levels. The current price rise has widened the gap to the SPP, now measuring a 3.92p difference between the two prices.

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Poultry overview

Chicken prices have now stabilised The EU Brazilian Poultry ban is still in place. UK produce prices have stabilised as the summer comes to an end.

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Turkey 2018

The supply has been consistent with demand with EU suppliers producing “just enough” for the demand within the EU and UK but as seasonal demand has increased, availability is getting tight, causing the price to increase.

This month the price has already increased by 20%.

The reasons for this are as follows:

Of the 4 major turkey producers in Brazil, 3 of them are now banned to supply to the EU following fraudulent salmonella tests and quality investigations.

Major users in the EU that would purchase 1,000’s of tons of frozen Brazil meat switched to EU supply.

This caused a surge in demand and fresh supply being contracted up for the early part of 2018. The knock on effect of this is that less turkey was put into the freezer for the latter part of 2018 when demand is higher.

There were a few contract opportunities available in August and September but many customers/suppliers chose to sit on the fence rather than commit to supply.

The uncertainty of Brexit, higher prices and historical market trends meant that consumers believed the market price would reduce into September and decisions could be made then. This has not been the case.

The increase in business enquiries in September has pushed up the price with just enough turkey in the market to fulfil normal demand but no extra for any increased supply. Turkey is becoming increasing short in the market place.

We anticipate prices increasing throughout September/October, stabilising through November with another increase in December.

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EXCHANGE RATE