BIRTWISTLES

Market Report

NOVEMBER
2018

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Beef Overview

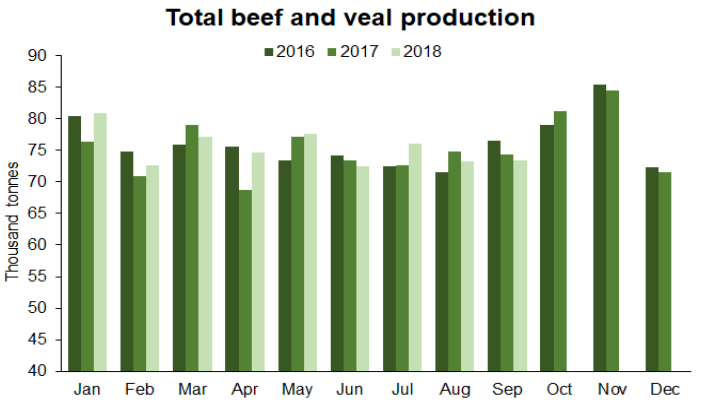
All roasting joints and stewing meat (diced beef etc.) have increased in value due to the seasonal demand. Prime meat is in high demand with the lower numbers coming through the markets over the last couple of month. There are indications that the price of cattle will rise due to the price rise of feed. This has been mainly driven due to the extended period of hot weather this summer which has caused a lack of natural feed meaning farmers have had to use up any feed put aside for winter.

Cow prices are dropping but there is a high number of poor quality carcasses coming to market due to the heat through summer when 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, and the quality is equally as good as the UK.

Fewer prime cattle slaughtered in September

During September, according to the latest data from Defra, total beef and veal production was down slightly, by 1.1% (-800 tonnes) compared to the previous year, to a total of 73,500 tonnes. Despite this, production in the year to September is still 11,200 tonnes (+1.7%) more than in the previous year, a total of 678,600 tonnes.



Source: DEFRA

The decrease in production during September has been driven by lower prime cattle slaughtering. Prime cattle slaughter for September is down by 4,200 head (-2.6%) compared to 2017. This is a result of 5,300 head fewer (-6.1%) steer slaughterings during the period. The declines have been offset somewhat by an increase in heifer slaughterings for the month, up 1,500 head (+2.5%) on the year. Increased heifer slaughterings have been a trend for much of the year and cumulatively there have been almost 20,000 more heifers slaughtered in 2018 when compared to last year. This is somewhat surprising considering the elevated level of cull cow slaughterings, but could be indicative of producers exiting the sector, or at least downsizing, possibly even as a risk management strategy in response to uncertainty surrounding Brexit.

As mentioned, cow slaughtering are particularly high this year, and remained higher in September. During the month, cow slaughterings totalled 56,800 head, 4% higher than in September 2017. The 12 month rolling total cattle slaughter is now over 675,000 head, the highest rolling total since the over thirty month scheme was abolished in November 2005

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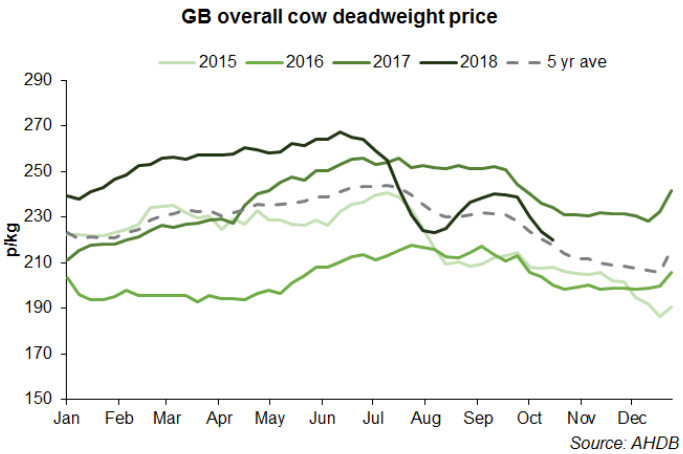
Cow prices continue to decline

During the week ending 20 October the GB all prime average slipped by almost 2p, to 364.28p/kg. Despite this decline, the measure continues to trend above the five year average and is around 4p higher than the same week last year. Prime cattle prices do typically face some seasonal pressure at this time of year as farmers begin to prepare for housing cattle for winter. Estimated prime cattle slaughtering for the week totaled 34,300 head, a similar number to in the previous week, and 5% (1,600 head) up year-on-year.



During the week the heifer and steer overall prices both recorded declines of 2p and 2.4p respectively. In contrast, the R4L specification prices recorded declined nearer to around half a penny. Industry reports suggest some processors are increasing the deductions for cattle which are outside of their preferred carcass specification.

For the third consecutive week, the overall cow price recorded a significant decline (-3.8p) and now stands at 219.8p/kg. For cows meeting the –O4L specification, prices recorded a similar trend slipping to 247.9p/kg. These declines have come about despite reported increases in export orders. Estimated slaughterings for the week totalled 13,400 head, an 11% (1,400 head) increase on year earlier levels.

Lamb Overview

UK Lamb prices overall continue to decrease. 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. 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 various cuts.

NZ Lamb figures predict similar numbers available over the next year for exporting. Prices look like they will be high similar to last year due to better currency exchange rates and more profitable markets (China etc.)

New Zealand beef and lamb

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.

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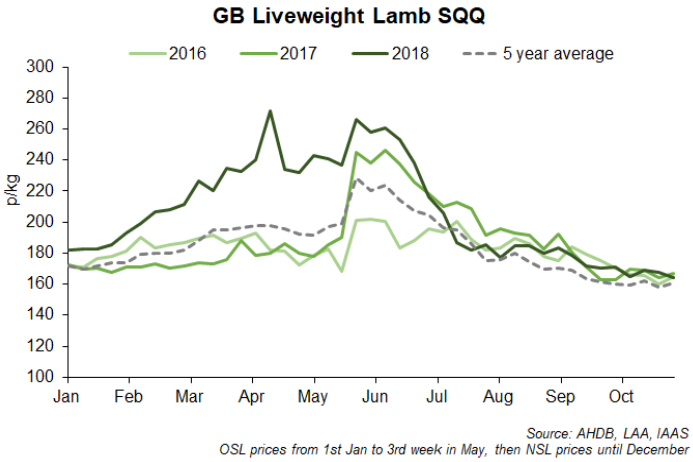
Sluggish lamb demand keeps prices down despite reduced throughputs

During the week ending 24 October, the GB NSL live weight SQQ dropped by over 3p week-on-week, to average 164.26p/kg. The price rose marginally at this time last year and so the price is currently 2.75p below the same week in 2017. The price at the moment is quite typical for the time of year with the last three years all being within 7p of the five year average. Industry reports lately have alluded to lambs going through the finished ring that would perhaps be better suited as stores, which could mean that the price received by some producers varies away from the national average by more than usual.



Auction market throughputs are down 7% on the week to 96,000 head. Meanwhile, throughputs for deadweight marketing have also fallen away, down 5% (-12,700 head) week-on-week to total 265,500 head. Both avenues to market are considerably down in numbers compared to the previous year, which is a reflection of lackluster demand for lamb at the moment.

In the week ended 20 October, the GB NSL SQQ deadweight quote declined by half a penny to average the week at 388.9p/kg. This is above both the 5 year average (+17.8p) and last year's price (+2.5p).

Under finished lambs potentially weighing on market

For the past few weeks throughputs have been gently rising. Lambs have been slower to finish this year, and now some farmers are thinking about reducing numbers as winter approaches. The current mixed weather may also be making some nervous that "true" winter will shortly set in. Industry reports have suggested some of the lambs coming forwards are still too lean and are unfinished, making them difficult to place.

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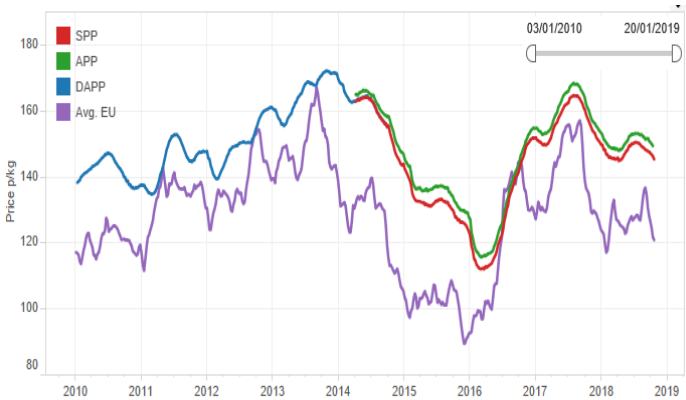
Pork Overview

Prices are softening, yet the market is unstable due the swine fever in Europe and throughout China. This could seriously impact availability and the price going forward. UK Pork prices have dropped but indications are that they will rise due to an 8% price rise in piglets due to reduced fertility in pigs brought on by 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 ending 20 October, the EU-spec SPP fell for the 14th consecutive week, declining 0.93p. This is the biggest weekly fall during the 14 week period and the price now averages 145.37p/kg, 11.70p below the same week last year.

GB estimated slaughterings for the week totalled 173,300 head, 10,600 head down on the previous week and around 1.5% (-2,700 head) below the same week last year. Industry reports suggest that some factories are having trouble with reliability and that throughput capacity is up and down as a result. This could explain some of the fluctuation in estimated slaughterings recorded recently. The average carcass weight for the SPP sample was 84.32kg. This is an increase of 680g compared to the previous week but 410g lighter than the same week last year.

The EU-spec APP also declined slightly in the week ending 13 October, down 0.62p to finish the week on 149.39p/kg. This is 11.63p below year earlier levels. The gap between the APP and the SPP in the corresponding week measures 3.09p, which is slightly narrower than the previous week and actually the smallest difference since August.

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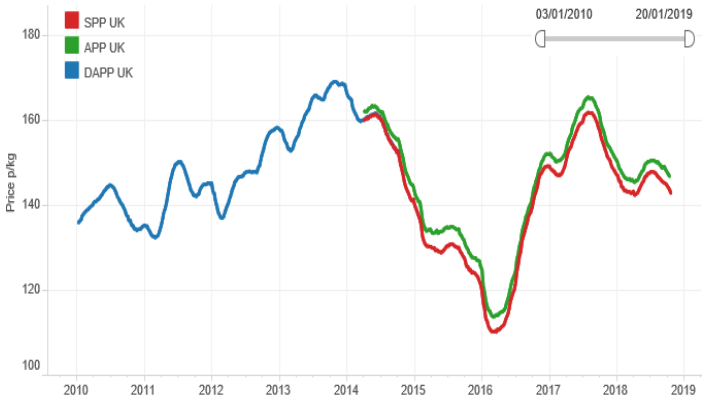
Pig Prices (UK Spec)



During the week ending 20 October, the UK-spec SPP fell for the 15th consecutive week, declining 0.91p. This is the biggest weekly fall during the 15 week period and the price now averages 142.77p/kg, 11.49p below the same week last year.

GB estimated slaughterings for the week totaled 173,300 head, 10,600 head down on the previous week and around 1.5% (-2,700 head) below the same week last year. Industry reports suggest that some factories are having trouble with reliability and that throughput capacity is up and down as a result. This could explain some of the fluctuation in estimated slaughtering's recorded recently. The average carcass weight for the SPP sample was 85.85kg, 690g up on the previous week.

The UK-spec APP also declined slightly in the week ending 13 October, down 0.62p to finish the week on 146.72p/kg. This is 11.43p below year earlier levels. The gap between the APP and the SPP in the corresponding week measures 3.04p, which is slightly narrower than the previous week and actually the smallest difference since August.

African swine flu is causing alarm in China—and beyond

As China's agriculture authorities scramble to contain the spread of a pig-killing virus, experts worry that it could spread elsewhere in Asia. But the consequences of the disease at home are bad enough. Pork is China's favourite meat. Pig farming is big business. The collapse of its market would hamper economic growth. Badly handled, the outbreak could dent the government's credibility.

The disease was first reported on 3 August, when it was noted that 47 out of 383 pigs on a small farm in Liaoning, a province in the far north-east, had died. The virus has spread to five other provinces: Anhui, Henan, Heilongjiang, Jiangsu and Zhejiang. The authorities have stepped up inspections, shut some live markets, stopped the transport of pigs from the affected areas and culled nearly 40,000 swine. On 5 September the UN's Food and Agriculture Organisation (FAO) held an emergency meeting of regional animal-health experts in Bangkok. The rapid onset of the disease in China and its spread to places 1,000 km apart mean it could easily jump across China's borders, says the FAO.

This time the pig fever is stoking fears of inflation. The cost of pork has an inordinate effect on the consumer-price index. With a fifth of the world's population, China consumes half its pork. The government has set up a strategic pork reserve to keep the price stable. The blue-ear pig-disease episode of 2007 provoked a rise of 87% in pork prices and one of the biggest leaps in inflation for nearly two decades.

The disease is transmitted by ticks and direct contact between animals, and can also travel via contaminated food, animal feed and people moving from one place to another, there is no vaccine for this, but it is not harmful to humans.

African swine fever reaches Western Europe in blow to EU pork exports

Two cases of African swine fever have been identified in wild boars in Belgium – sparking fears of a ban on exports to non-EU countries which would come as a crippling blow to the pork industry.

The news has also prompting neighbouring France to call for measures to prevent the disease spreading further, Germany – the EU's largest exporter of pork has sent experts to eastern Europe to advise on how best to stop its spread.

Denmark – another country closely associated with the pork industry – has even announced plans for a fence along its border with Germany to keep the virus out.

The disease has been present in Eastern Europe for several years – but this is the first time it has been identified in the west of the continent, in this instance in Wallonia near the French border.

There is no vaccination or cure, and when it was discovered at Europe's second-largest farm in Romania at the end of last month, authorities culled about 140,000 pigs

Poultry overview

Chicken prices have remained stable. The EU Brazilian Poultry ban is still in place. UK produce prices have stabilised as the summer comes to an end and as seasonal demand softens European Chicken is more readily available easing the pressure on the UK market.

However we would expect to see an increase in demand during November/December which will strengthen the price.

We have found that Chicken is becoming more popular during November/December, especially with the Christmas trade. It is more commonly being used at Christmas parties and it is proving to be an easier more cost efficient option than turkey.

Feed market update – October 2018

Grains

w/e	18 October	20 September	Change on month
Ex-Farm UK feed wheat -(£/t)	173.20	167.70	+5.50
Ex-Farm UK feed barley -(£/t)	167.60	162.80	+4.80

Source: AHDB

Proteins

As at	22 October	24 September	Change on month
Chicago Soyabean (Nov-18)-($/t)	315.41	308.98	+6.43
Paris rapeseed (Nov-18)-(€/t)	373.25	362.50	+10.75
As at	19 October	21 September	Change on month
UK delivered rapeseed (Erith, Nov-18) -(£/t)	333.50	326.50	+7.00
UK soyameal (Spot, 48%-Brazilian, ex-store Liverpool)-(£/t)	327.00	318.00	+9.00
UK rapemeal (34%, Ex-mill Erith)-(£/t)	208.00	217.00	-9.00

Source: CME, Euronext, AHDB

AHDB usage data revealed that the amount of cereals used to produce GB animal feed in August 2018 increased to an all-time high for the month, reflecting the record amount of compound and integrated poultry unit (IPU) feed produced in August 2018. Ruminant demand for compound feed is also up 15% on the year, likely reflecting forage production issues this season

Turkey overview

All indications are that turkey availability this year is going to be tighter than previous years. Prices will be affected. UK turkey is going to be very short, indications are that birds are going to be on the small side due to all processors changing to chicken during summer to capitalise on the Brazilian poultry ban. Indications are that that demand on UK turkey will outstrip availability with retail getting first option, therefore we would advise that the fresh EU product would be the best option to guarantee consistency and supply.

Looking at the market it is going to be really tight on availability. Our main focus will be to get the volume of product required for our customers, and we will have no option but to pay the highly inflated prices.

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Turkey 2018

Customers are urged to pre order as much as possible to ensure availability and continuity of supply. We need to make you aware of possible price rises. Turkey prices are expected to be volatile this year, reflecting the wider poultry market. Problems in Brazil, expected increases in feed costs and trade arrangements, and high demand in Europe will all have an impact on poultry prices in the run-up to the festive period. UK turkey is going to be really short. The UK Turkey market currently has the lowest number of Turkey producers we have ever known. There is a real lack of suppliers this year due to previous years not being able to compete with European suppliers on consistency and price.

Any Customer thinking of using UK Turkey we would highly recommend that you reconsider and switch to Fresh EU product to ensure continuity of supply.

Currently 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.

The reasons for this are as follows:

From 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 normally 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 and in fact prices rose during September.

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EXCHANGE RATE