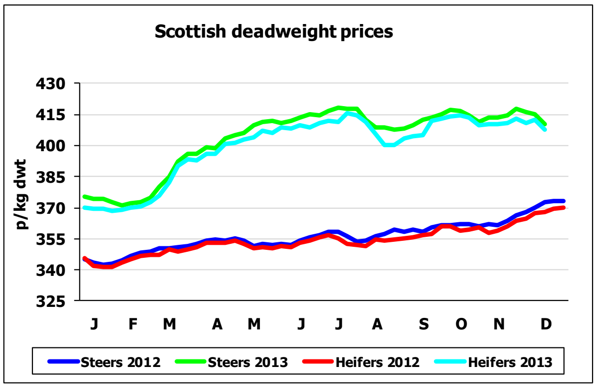
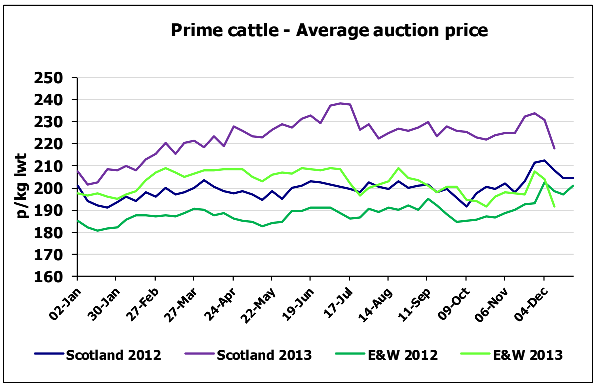
MARKET REPORT December 2013

Cattle

Prices and Supplies





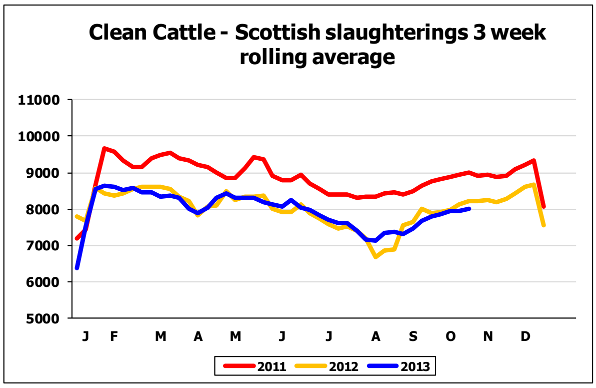
Having firmed through most of November due to the combination of strong seasonal demand and tighter supplies, deadweight prime cattle prices then cooled towards the end of the month and fell further in the first half of December. The final week of November and first two weeks of December saw higher numbers of cattle sold to plants, placing downwards pressure on prices. Indeed, volumes in the week ended December 14th were at an 8-month high. At 410.5p/kg dwt in the week ended December 14, the average producer price for a steer was 4p lower on the month but 38p/kg (10%) higher than in the same week last year.

Having fallen to a six-month low towards the end of October, prime cattle prices at Scottish auctions recovered in November and in early December they reached an average of 233.6p/kg lwt; their highest level since the peak of the market in July as producers sold their best quality cattle at Christmas sales. However, prices eased in the following week, before declining sharply in the week to December 18th. At 218p/kg, they traded at a nine-month low, but were 6.5% higher year-on-year. South of the border, prices also fell sharply and averaged 5% lower than last year.

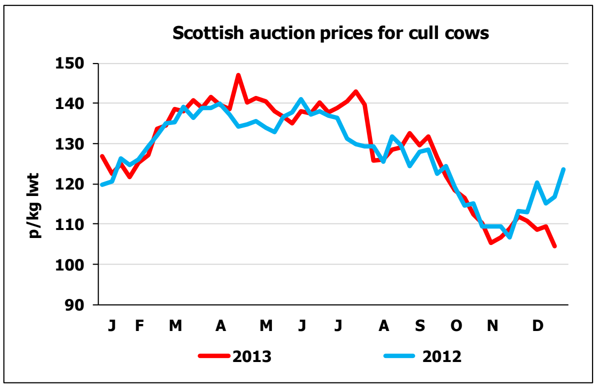
November was the tenth month this year to see a lower prime cattle kill at UK abattoirs than a year earlier. Defra data showed that numbers were down by 1.5% at 157,800 head. Although this was an increased decline compared with September and October, it was below the 2% average rate of decline over the first eleven months. Having risen seasonally in October to an eleven month high, the weekly average kill stabilised at 39,500 head in November. The average carcase weight lifted slightly on the month to 337.8kg but was 1.3kg lighter than a year earlier. Although this was the thirteenth consecutive month of annual declines in carcase weights, the shortfall was at its narrowest of this cycle, well below its 6.4kg average. Carcase weights have traditionally been at their annual low in November, but this year they were lighter in August and October.

Slaughter data continued to show an increased heifer kill; the number of heifers slaughtered rose by 1.5% compared with November 2012. However, it has not necessarily been reduced replacement rates pushing up the kill. Indeed, the June census reported a 27,000 head increase in beef heifers over two years old on farms, and between June and November, heifer slaughterings across the UK were 14,000 head higher than in 2012. In terms of male cattle, supplies remained tight.

Although the increase in young bull throughput observed for most of the past year continued with numbers 4% higher, this was more than offset by the 4.5% year-on-year decline in the steer kill.



North of the border, abattoirs also handled fewer prime cattle than a year earlier during October. Numbers fell for a third month and were 3% down on last year at 31,900 head. While the heifer kill exceeded year earlier levels for the ninth time in 2013, steers were once again in short supply, down 8.5%. Young bull throughput increased by 5% following four months of double-digit growth. The increased heifer kill of recent months does not yet offer definitive proof of fewer replacements. However, the increased kill between June and November of 3,150 head is getting close to the additional 3,250 beef heifers over two years old that were reported on Scottish farms at the time of the June census.



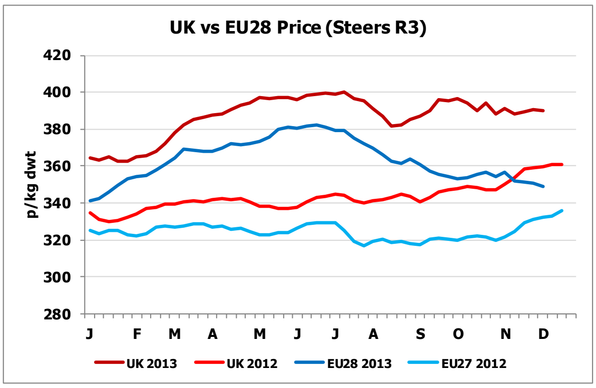
Having fallen steadily since July, by the end of November deadweight cow prices were at their lowest level since April 2011. Although their average price has picked up slightly into December, at 232.5p/kg dwt, it was 10% lower than a year earlier and 25% below its 2013 peak of 310p/kg, reached back in May. At Scottish auctions, cull cow prices trended higher in the first half of November but have since fallen back. In the week ended December 18th, they stood at 104.5p/kg lwt; their lowest since February 2011 and down 10.5% year-on-year.

The culling of cows and adult bulls first fell behind year earlier levels in May. In November, the decline was nearly 14%. With cow prices trading below 2012 levels despite such a significant reduction in volumes, it indicates weak demand. The lower level of cow slaughterings may be the result of this year's better weather leaving fewer barren cows to be culled. It is possible that the relatively better prices for heifers have given producers an incentive to slaughter potential replacement cattle and hold onto cows for an extra year.

Scottish abattoirs also handled fewer cows and adult bulls than a year earlier during November. However, there was a smaller 6% margin of decline.

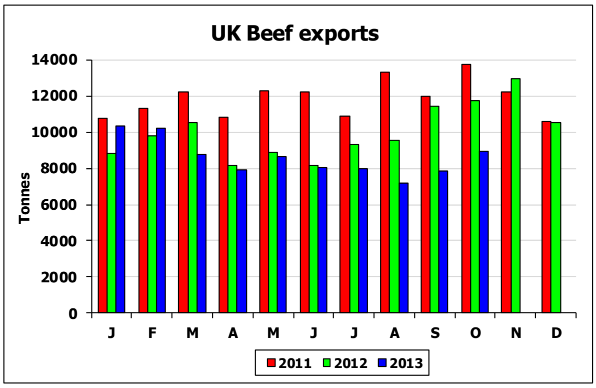
Tight supplies of prime and mature cattle coupled with lighter carcase weights pulled total UK beef production lower than year earlier levels in November. Total output was 71,200t; down 5% on the year. However, the weekly average volume of 17,800t was at its highest for a year.

According to data from Kantar Worldpanel, in the 12 weeks to November 10th, GB households spent 4% more on beef than a year earlier. However, with the average price going up by around 9%, this increased spend was only able to secure a 4.5% smaller volume of product. Mince sales showed the least reduction, falling by 1%, and steaks were the other cut to show a below average decline of 3%. However, demand for roasts and stewing beef slumped, down by 12% and 20% respectively; possibly due to unseasonably warm weather. Foodservice products also fared poorly, with burger sales falling by 7% year-on-year and beef-based ready meals down by around 10%.



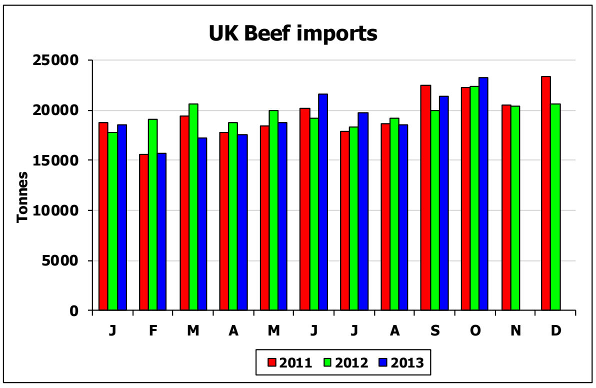
Prime cattle producer prices were broadly flat across the EU during November in euro terms. However, currency movements meant that in sterling terms, prices fell by an average of 2%. UK prices rose by 1-2% on the month in euro terms and were flat in sterling, meaning that they became less competitive at home and abroad. By contrast, Irish prices became more competitive as young bulls and steers fell 1% in euro and by 3% in sterling, while heifer prices were stable in euro but down 2% when quoted in sterling. Italy also gained competitiveness with euro prices for young bulls down 1% and heifers down 3%, whereas in Spain, young bull prices lifted by 1% and heifers by 3%. Moving into December, most countries saw prices edge higher; though prices eased back in the UK, Ireland and Germany.

Meanwhile, the market for cull cows weakened in November with the EU28 average declining 4.5% over the month. Spain was the main exception with prices lifting by 1.5%. In the first week of December, the average cow price showed no week-on-week change across the EU. However, UK and Spanish prices increased, while they edged lower in Germany and fell 1.5% in Ireland.



October 2013 saw UK beef exports substantially lower than twelve months before for a second month as volumes declined by 24% to 9,000t. Contributing factors to the decrease are likely to have included strong competition for supplies of home product in the domestic market and sluggish overseas demand given that UK cattle prices are the highest in the EU. Just over 10% of UK production was exported in October 2013 compared with more than 12.5% in October 2012. In the first ten months of 2013, exports were 11% lower year-on-year.

Export shipments to the vast majority of EU markets were down on the year in October. There were significant declines for the UK's largest markets, Holland and Ireland, down 20% and 35% respectively, while trade with mid-sized markets like Belgium and France was down by a similar extent. However, Italy fared better; up 20%. Performance in smaller UK export destinations was mixed with Germany, Denmark, and Poland down by between 30% and 50%, but sales increasing into Spain and Sweden. Non-EU exports outside of the EU cooled by nearly one-third year-on-year. Sales to Ghana were down 16%, while sales to Hong Kong and Switzerland halved.



During October, the UK bought 4% more beef from overseas than a year earlier with import volumes totalling 23,200t. This was the fourth time in five months that imports had exceeded 2012 levels. The increase was likely to have been a consequence of a tightly supplied domestic market. Deliveries of fresh beef were up by 5% and frozen beef purchases rose by 2%.

Conversely, in the first ten months of 2013, total beef shipments were 1.5% lower year-on-year as imports had contracted sharply in the spring. Although imports of fresh product were up 2%, there was 9.5% decline in deliveries of frozen product. There were two main drivers behind lower shipments of frozen beef. The first was the horsemeat scandal back in January, while the second was last year's higher manufacturing beef requirement due to increased foodservice demand for the Diamond Jubilee celebrations and the Olympic Games.

October was the fourth time in five months that imports from Ireland exceeded year earlier levels. However, they still trailed 2011 levels. Shipments totalled 15,500t, an annual increase of 3%; though their share of the total edged lower from nearly 67.5% to around 66.5%. Deliveries of fresh beef from Ireland increased by 3.5% and imports of frozen beef were marginally higher. The only other EU countries to supply the UK with more beef than a year earlier were Holland and Italy.

Of the non-EU suppliers, Brazil, Australia, Namibia and Botswana grew their deliveries of beef to the UK substantially compared with October 2012. However, the opposite was true for Uruguay and New Zealand as shipments fell by 40-50%. Imports from Botswana have reportedly been destined for the foodservice sector where competitive pricing is important. Brazil was the third largest supplier of beef to the UK in October, with shipments around one-third less than those from Holland but slightly higher than those from Germany.

News Round Up

Prime cattle slaughter growth at Irish export plants slowed to almost a halt in November. Slaughter numbers were 0.2% higher than a year earlier at 118,950 head, compared with a 6.5% year-to-date growth rate. Meanwhile, the cow kill trailed its November 2012 level with numbers 1% lower at 38,700 head. By contrast, in the first 11 months it was up by 12%, having been higher than a year earlier in each week between the second week of January and the third week of November.

Live cattle exports have also been higher in the Irish Republic this year. In the first 49 weeks of 2013, 205,400 cattle were exported; an increase of 50,000 head (32%) from the same period of 2012. While movements to the UK and Italy have declined, there have been increased sales to Belgium, Germany, Holland, France and Spain. In addition, shipments to North Africa have increased, with a decline in sales to Morocco being more than offset by an increase into Tunisia and the opening of the Libyan market. The 14,500 cattle delivered to Libya accounted for 76% of all live cattle exports outside of the EU. With fewer sales to abattoirs in Northern Ireland, the number of finished cattle exported declined by 10% to 46,000 head. Conversely, the number of calves exported grew by 139% to 90,700 head.

Japan has overturned a 13-year long ban on importing Irish beef. In 2000, prior to the BSE-related ban, Ireland exported around 3,000t of beef and fifth quarter product to Japan at a value of around €10m (£8.4m) and it is thought that future opportunities could amount to €15m (£12.6m) per annum. The main areas of opportunity for Irish exporters are expected to be at the premium end of the market as well as in the offal trade. Since fifth quarter products are popular in Japan, Irish processors are likely to find opportunities to achieve greater carcase balance. The only other EU Member States than can export beef to Japan are Denmark and France. The UK Government is currently going through the lengthy process of obtaining export certification for Japan.

Latest trade figures for Japan showed that in October beef imports declined by 4% year-on-year to 45,250t. This was the third successive month that imports were below year earlier levels. Australia and the USA accounted for more than 90% of total shipments. Whereas Australian exports to Japan fell 16% to 23,850t, the US increased its deliveries by 41% to just over 17,000t. This was despite both domestic supply conditions and currency movements favouring Australian exporters. The main driver of increased trade with the US was the relaxation of a trade barrier back in February of this year which allowed beef from cattle up to the age of 30 months to be delivered from the US; previously it had been limited to cattle under 20 months. Demand for US beef in Japan has come mainly from the foodservice sector.

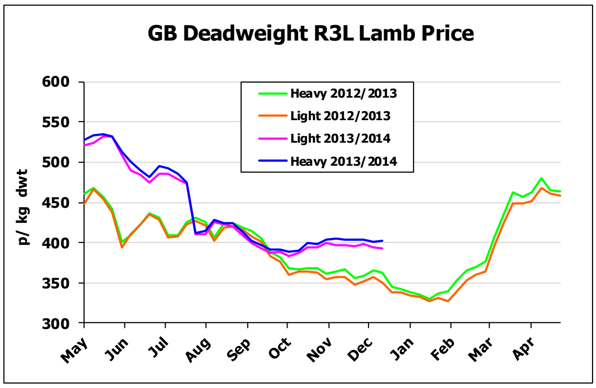
During October, beef production in Australia set an October record of 219,800t. This was 8% higher than in the same month of 2012. Production volumes exceeded year earlier levels in all States; although Queensland, the largest beef producer, saw the slowest growth of 2% to 103,100t. The main driver of production growth was drought conditions. As a consequence, carcase weights were 3% lower at 278kg and female cattle made up a greater proportion of the kill. Indeed, while total slaughter increased by 12% year-on-year, female slaughterings rose by 24% and accounted for around 45% of the total cattle kill, compared with 41% a year earlier.

In its half-yearly global beef supply outlook, the USDA estimated that China will end up importing 400,000t of beef this year and 475,000t in 2014. This compares with just under 100,000t in 2012 and reflects rising demand which growth in domestic production has been unable to keep up with. Domestic production is forecast to rise by 2% this year and next, driven by a restructuring process which has seen significant investments from large-scale operators while small-holders have been exiting the industry. In addition to being a function of growing household incomes, higher domestic demand for beef has also been attributed to food safety problems in the pig and poultry sectors. Uruguay has been one of the main benefactors with its shipments to China more than trebling to 84,600t in the period between January and December 7th, despite its total export volumes falling by 3.5% to 331,300t.

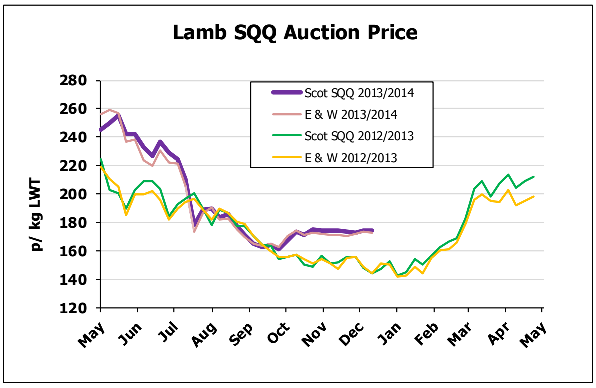
The USDA has forecast a marginally larger global beef supply in 2014 with total production expected to rise to 58.685m tonnes from 58.485m tonnes in 2013. While US production is expected to decline by 6% next year, this is likely to be offset by a near-2% increase elsewhere. The US decline to 11m tonnes from 11.7m tonnes this year has been predicted due to the continued contraction in the beef herd which was exacerbated by last year's drought. However, in part, the forecast decline in supplies has been driven by the combination of much improved pasture conditions and higher producer prices (up 6% year-on-year in early December) which have encouraged US producers to retain heifers and expand their herds. Tight supplies in the US led to the number of cattle on feedlots as November began falling by 6% year-on-year.

Sheep

Prices and Supplies

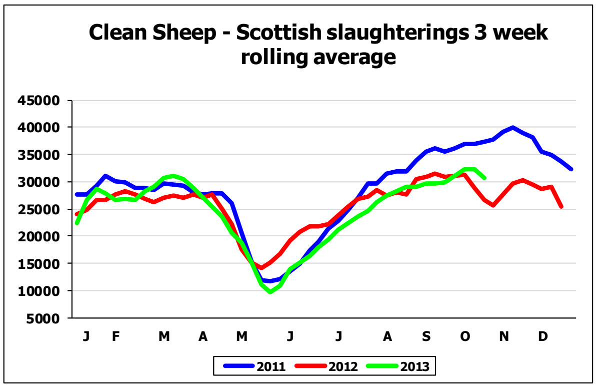


The average GB deadweight lamb price was very stable during November, trading in a narrow range around the £4/kg mark. Volumes were also pretty steady, and given that they were considerably higher than in November 2012, it indicated firm demand. Prices averaged 399.5p/kg dwt; up 7.5p on the month and by 43p on the year (12%). However, there was a slight dip in the market in the first half of December with the average price slipping back to 396p/kg dwt.



At Scottish auctions, lamb producer prices have been relatively stable since the beginning of November. For the first 3 weeks of November they traded at 174.5p/kg lwt before slipping back by a penny for two weeks and then recovering back to 174.5p/kg lwt in the week ending December 11th. In the following week they then eased slightly below the 174p/kg mark as numbers reached their highest of the year. Nevertheless, the average lamb was valued 21% more expensive than in the same week of 2012.

Deadweight lamb prices were underpinned during November by an improvement in carcase quality. 61% of lambs in the GB deadweight sample graded at R3L or better, compared with 58.5% in the previous 4 weeks. Quality also compared favourably with previous November's. However, in the first week of December, the proportion of lambs achieving R3L or better slipped back to an 8-week low of 58%, before declining further to 56.5% in the second week of the month.



UK lamb slaughter growth slowed to 1% year-on-year in November having been up by 3% in October and by 6.5% in September. 1.08m lambs were killed compared with 1.07m in November 2012. Nevertheless, compared with November 2011, slaughterings were nearly 5% lower. The weekly average kill of 270,800 head was 30,500 (10%) below the 2013 peak reached in the prior month. In the previous three years, it had fallen 8-9% between October and November. Reflecting better autumn weather conditions, carcase weights averaged 19.1kg compared with 18.7kg a year earlier.

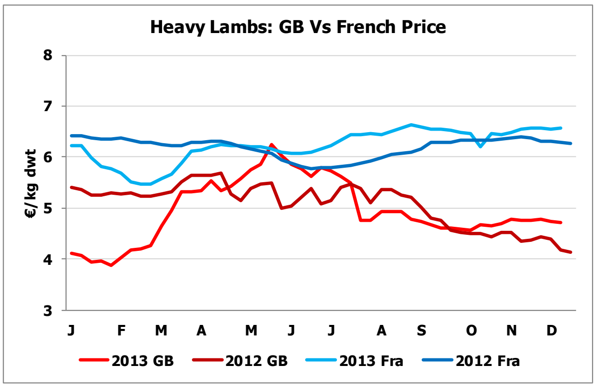
November was the second successive month that Scottish abattoirs slaughtered more lambs than 12 months before. Kill numbers were 3% higher at 122,200 head. Nevertheless, this was 17% below the November 2011 throughput of 147,400 head.

Kantar Worldpanel data for lamb consumption in GB showed that sales volumes lifted by 6% year-on-year in the 12 weeks to November 10th. This was driven by a 7% higher spend. Average prices edged higher, but with other meats rising in price at a much quicker pace, lamb became relatively more competitive, thereby encouraging people to buy it. In terms of the different cuts, mince showed the strongest sales growth, up 14%, while chops showed an 11% gain and the volume of roasts retailed was almost 7% higher than a year earlier. Consumption of lamb steaks also picked up, but only by 1%. By contrast, stewing lamb sales declined by 12.5% and sales of lamb-based ready meals were down 4.5%.

Having risen through October, cull ewe prices at Scottish auctions picked up further in the first half of November before slipping back for two weeks and then rising into December. In the week ended December 18th, although cull ewes traded £1 cheaper on the week at £46.50/head, they were still at their second highest level since early September and were £3 higher than in the same week of 2012.

At 168,400 head in November, slaughterings of ewes and rams at UK abattoirs were up 10% on the year, suggesting that fewer breeding stock will be used to produce the 2014 lamb crop than produced the 2013 crop. However, despite being much higher than last year, slaughterings were 1.5% lower than two years ago. On a weekly basis, throughput averaged 42,100, 5,200 lower than in the previous month.

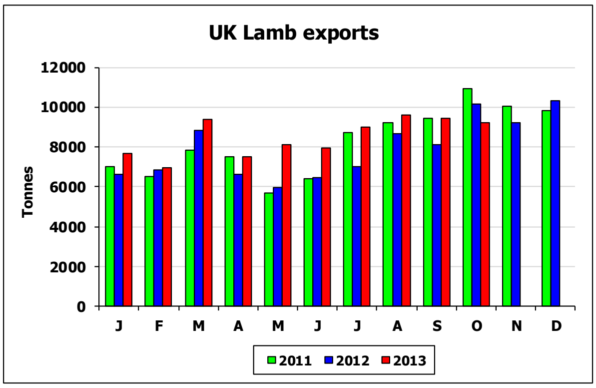
With both kill numbers and carcase weights of lambs and ewes higher than last year in November, the UK produced 5% more sheepmeat. Monthly production volumes totalled 25,100t, compared with 23,800t a year earlier.



In the opening week of December the average price paid for a heavy lamb in the EU was €4.85/kg dwt. This was around 1.5% higher than in early November and 5% higher than a year earlier. Both French and GB prices increased in line with the average monthly gain, while Irish prices rose 5% and the largest increase of 15% accrued to Polish producers. However, prices eased back 1% in Spain and Germany and fell 10-11% in Belgium and Holland. Compared with a year earlier, British and Irish price increases outpaced the average, rising 8% while in France and Germany, prices grew more slowly at close to 4%. By contrast, Spanish lambs were valued around 10% less than a year earlier.

Moving on to light lambs, producer prices were mostly lower with the average of €5.79/kg dwt being 6% lower on the month and 9% lower on the year. There were even more significant declines in Spain with a monthly fall of 9% and an annual decline of 18%. In Greece and Portugal, the monthly declines were a slower 3-4% while annual declines were nearer 5%. Conversely, light lambs have risen in price in Slovenia and Slovakia. Although Italian prices were 1.5% lower on the month they were up more than 10% year-on-year, while almost the exact opposite was true in Hungary.

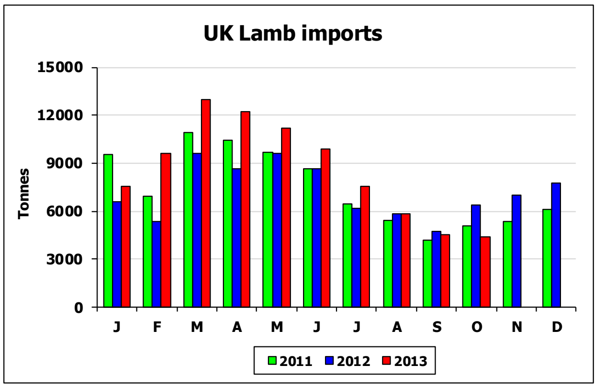
Provisional trade data shows that the UK exported 9,200t of sheepmeat in September 2013. This was the first month this year to show a year-on-year decline with volumes down 9%. For only the second time this year sales to other EU Member States fell (-13%), while deliveries to non-EU countries increased by their second slowest rate of the year (15.5%). This meant that non-EU shipments took a 19% share of the total; a 4-month high. 27% of domestic production was exported; well below the year earlier figure of 31%.



The overall decline in sheepmeat exports was driven by a 14% year-on-year contraction in shipments to the UK's largest customer, France. Exports to France totalled 4,950t and accounted for 53.5% of total shipments; more than 3 percentage points lower than a year earlier when deliveries reached their annual peak. The medium-sized EU markets of Germany, Belgium and Italy bought less lamb than a year earlier but there were higher sales to Ireland and Holland. In terms of smaller markets, there were slightly lower shipments to Spain but significantly lower deliveries to Portugal and Austria. By contrast, the volume of sheepmeat sold to Danish and Swedish customers grew by more than 150%.

Exports to non-EU countries reached an eleven-month high of 1,750t in October. The increase was driven by deliveries to Hong Kong which were also at an eleven-month high of 1,300t and were up 22% year-on-year. After a weaker month in September, trade with Norway picked up again and at 150t was also 22% above year earlier levels. The Ghanaian market also continued to grow compared to last year with sales rising 40% to 70t. However, trade with Switzerland fell slightly.

October was the third consecutive month that UK sheepmeat imports were below year earlier levels, contracting by 31% to 4,400t. Given higher domestic consumption, it seems likely that lower import availability can help explain the decline in exports. As imports fell by more than exports, the UK's trade surplus in sheepmeat was 1,100t higher than in October 2012, holding firm at around 4,850t for a second month.



The main driver of lower trade volumes for a third month was a decline in product arriving from New Zealand as its supplies opened the 2013/14 season little different to a year earlier but product was diverted to the fast-growing Chinese market. Imports from New Zealand were down 36% at 2,450t and the average value was up 19% at £4,200/t. After running well ahead of 2012 levels for much of the year, there was also a sharp decline in imports from Australia during October. They fell by 35% on the year to 750t with the average value rising by 14.5%. The higher average import price from Oceania may partly reflect higher value product taking an increased share. In terms of the smaller suppliers, volumes from Ireland, Holland, and France were lower on the year, whereas deliveries from Germany, Chile and Uruguay increased and there was a considerable rise in shipments from Spain.

News Round up

During November, Irish export abattoirs slaughtered 243,200 lambs; a 1.5% year-on-year increase. While this is a slower growth rate than the 6% for the first eleven months of the year, it is in line with the 1.5% rate of expansion in Q3 (July to September). In the first half of the year slaughter volumes had run 11.5% ahead of last year. Although tight supplies in Q2 meant that slaughterings were 5% lower, during Q1 they had been up by a third. Despite the number of non-breeding sheep on Irish farms being down by 3% compared to a year earlier in June, kill numbers were 2% higher between June and November.

After a couple of months of firm sales relative to the previous year, French households reduced their purchases of lamb during October. In the 4 weeks to November 3, households purchased 11.5% less lamb than a year earlier as average prices were nearly 3.5% higher. While the volume of the more expensive steaks and roasts slipped back by 10.5%, there was a decline by more than a quarter in sales of stewing lamb.

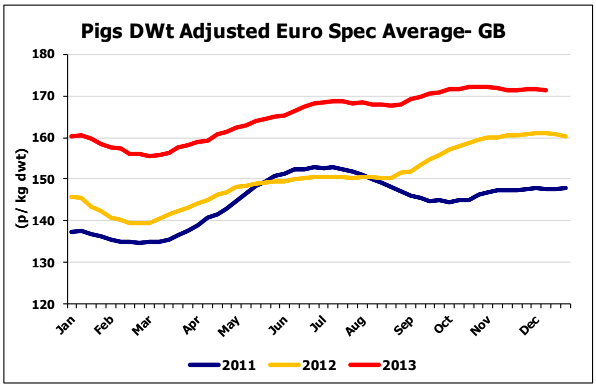
During October, Australia's lamb production reached an all-time high of 44,350t and was up 16% on the year. This was driven by the third highest slaughter volume on record of 2.07m head (only October 1970 and September 1971 were higher) which was nearly a quarter higher than in October 2012. The rate of culling of ewes also picked up to a similar extent and slaughter numbers reached 962,350 head, producing 23,200t of meat; up 29% year-on-year. Such a significant jump in slaughterings suggests that the Australian flock will contract in the short-term. Higher carcase weights imply that older less productive ewes have been slaughtered due to the drought conditions.

Beef + Lamb New Zealand have issued their final estimate of the 2013 lamb crop. Numbers have turned out better than previously expected at 25.5m head; a year-on-year decline of 1.3m (nearly 5%). Nevertheless, despite being an improvement on the previously expected 8% shortfall, the crop is still very low in an historical context; since the mid-1950s only the 2010 crop has been smaller. The key driver was drought conditions at tupping in the spring which reduced successful pregnancies. The North Island was impacted more severely than the South Island with respective declines in lamb numbers of 7.5% and 3%. The average lambing percentage fell nearly 6 percentage points in the North to 117.6% and by 2 percentage points in the South to 123.6%. Nationally, there were 17% fewer lambs born from retained gimmers as producers opted to slaughter a higher proportion due to poor feed availability and poorer body condition.

The consequence of the smaller lamb crop on New Zealand's processing sector is that exporters are forecast to have 7% fewer lambs to work with. There are expected to be 19.5m export lambs in 2013-14 compared with 20.9m in 2012-13. However, good grass growth in recent months is expected to raise lamb carcase weights in the 2013-14 season to an average of 18.4kg and this should help offset some of the anticipated decline in slaughter numbers, bringing the production shortfall back towards 5%. However, during October, the first month of the 2013-14 season, the smaller lamb crop had yet to affect slaughter numbers which were up 2% year-on-year. The forecast increased carcase weights were also yet to materialise, and with lambs weighing lighter than a year earlier, the increased slaughter was almost offset, leaving production volumes only marginally higher at 27,150t.

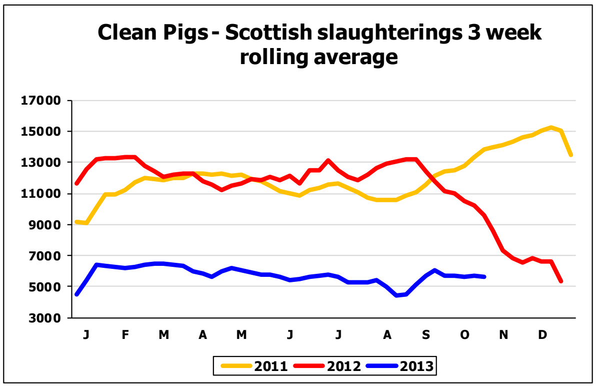
Pigs

Prices and Supplies



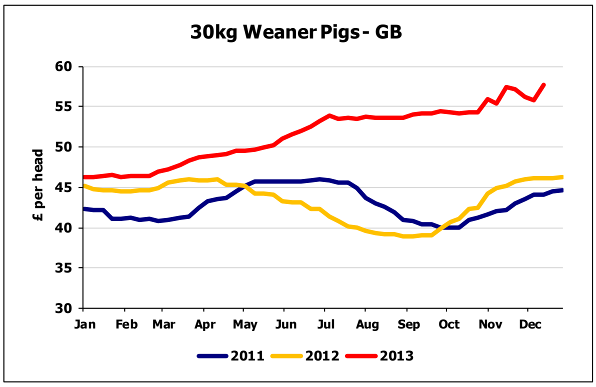
Pig producer prices dipped in the first half of November before turning around at the end of the month as supply reportedly tightened while demand firmed ahead of the festive period. However, with abattoirs bringing forward their kill before the two short weeks at Christmas and New Year, prices fell back again in the second week of December. The GB DAPP traded at 171.3p/kg dwt in the week ended December 14th, 0.8p/kg below its historic peak reached in late October. Nevertheless, the average price was 10p/kg (6.5%) higher than in the same week last year.

The throughput of prime pigs at UK abattoirs was 0.5% below a year earlier in November at 826,500 head. However, due to favourable growing conditions and lower feed costs, the monthly average carcase weight remained above 80kg and was up by 1.6kg year-on-year. As a consequence, the volume of meat produced from clean pigs increased by almost 1.5% year-on-year to 66,300t. The weekly average kill reached its annual peak in November. At 206,600 head, it slipped to a 3-year low for November but was higher than in any November between 2003 and 2009.



During November, at 6,240, the weekly average kill of prime pigs in Scotland increased to its highest level since March. Nevertheless, monthly throughput was down 6% on the year at 25,000 head.

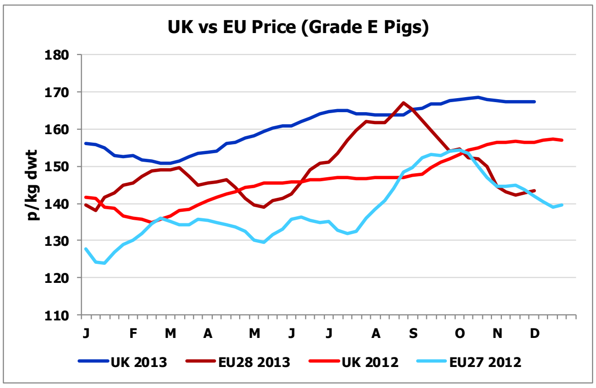
A turnaround in sales performance between the second half of September and early November saw the volume of pork retailed increase from a year earlier in the twelve weeks to November 10th. Pork sales volumes rose by 3% as spending lifted by 6% but the average price rose by 3%. By contrast, from the beginning of the year up to mid-October, sales volumes were 4% lower year-on-year as higher prices more than offset a 2% increased consumer spend. Bacon sales were still lower than a year earlier in the 12 weeks to November 10. Despite bacon becoming less popular overall with sales down by 2%, sales of home produced product increased in both value and volume.



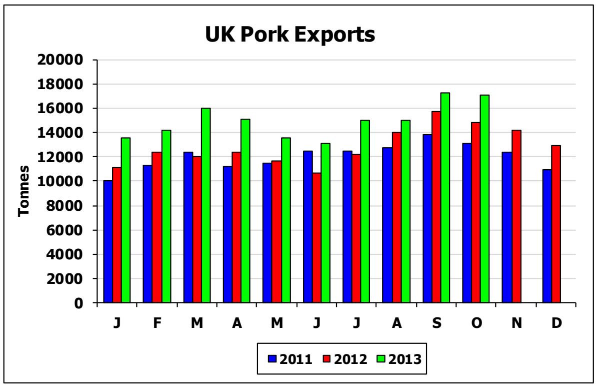
30kg weaner prices have trended higher since late October. In contrast to the past, they have begun to show significant week-to-week volatility. In the week ended December 14th, prices jumped by £2 a head to £57.80, passing their mid-November peak. This left them 25% higher than a year earlier. Meanwhile, having shown weekly volatility through November, prices for 7kg weaners steadied in December at an average of just over £42.70 per head.

Too few processors are reporting sow prices for a UK average to be quoted. However, industry sources indicated that the market firmed in late November due to export demand ahead of the festive period with prices reportedly trading at around 110-115p/kg dwt. However, as demand from the continent fell back in December, prices cooled, and traded at around 105p/kg dwt in the second week of the month, compared with closer to 110p/kg in the same week last year.

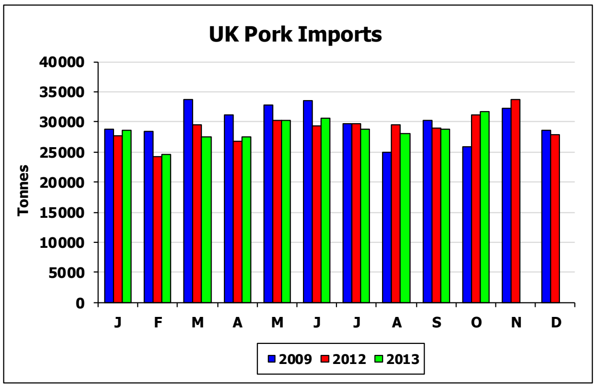
UK pigmeat production during November totalled 69,100t; up 1% year-on-year. When viewed as a weekly average, production reached a 13-year high. Increased prime pig production volumes more than offset a 12% decline in sow meat.



After 2½ months of declines across much of the EU, ex-farm pig prices have shown signs of recovery in late November and early December, rising from €1.70/kg dwt to €1.725/kg dwt; a four-week high. Nevertheless, in the same week last year pig prices had averaged more than €1.75/kg. While these increases outpaced the slight rise in UK prices, British pigs remained around 17% more expensive than the EU average. Prices in Germany, Holland, Poland, Austria and Belgium have risen in the past couple of weeks, pushing the overall average higher. Meanwhile, prices in Spain and France stabilised.



During October, monthly UK exports of pigmeat reached their highest level since December 2008 as 18,900t were shipped overseas. Sales of bacon and ham more than doubled from a year earlier to just over 1,850t while fresh and frozen pork sales rose by 15% to 17,050t. Growth was underpinned by increased sales to Denmark, Germany, Holland and Ireland. Although sales to the Far East fell overall, shipments to Greater China were flat.



October was the third time this year and the second successive month that the UK imported more pigmeat than a year earlier. Deliveries increased by 2% on the year to 56,000t with both pork and cured pigmeat up 2%. This left the share of fresh product in total imports unchanged at nearly 57%.

News Round up

Feed wheat and barley prices have been broadly flat since mid-October at around £170/t and £130/t respectively in North East Scotland as the downwards pressure from an increasingly favourable global supply situation has been offset by increased global trade. Nevertheless, in mid-December, wheat was priced approximately £50/t (22%) cheaper year-on-year while barley was £60/t (32%) cheaper. The price differential reflects the relatively better supplies of barley in the UK. With barley in particularly good supply in Scotland, prices are slightly cheaper than south of the border. By contrast, wheat prices are around £10/t more expensive in Scotland than in southern England. On the soyameal side, prices have picked up slightly since November as strong demand in the US and China has brushed aside increased production levels. Hi-Pro soyameal traded at £382/t in the second week of December, compared with £375/t four weeks earlier and £390/t a year ago.

Decade-long restrictions on exports of pigmeat and live pigs from Romania into other EU member states will end at the turn of the year. Trade was restricted back in 2003 due to Classical Swine Fever, but it has been six years since the last reported case. The end of restrictions means that all of Romania's 218 export-certified pig farms will be able to export to the rest of the EU, compared with just 42 currently. In June, the Romanian sow herd stood at 355,000 head and its abattoirs slaughter approximately 300,000 pigs each month.

Reduced prices for pigmeat at French retailers encouraged consumers to buy in October. With the average price paid for fresh pork down by 4% year-on-year in the 4 weeks to November 3rd, sales volumes showed a 6.5% expansion. Sales of bacon and ham increased 1-2% despite becoming slightly more expensive.

In its December World Agricultural Supply and Demand Estimates (WASDE), the USDA expected US pigmeat production to total 2.86m tonnes in the final quarter of 2013 (Q4), giving a calendar year total of 10.5m tonnes. While this would mean that Q4 volumes exceeded last year's levels by 1%, full-year production would be fractionally lower than in 2012. Next year, production is expected to grow by 3% to 10.85m tonnes with lower feed costs and better feed availability giving producers an incentive to scale-up production. Despite tight supplies, lower exports this year mean that US per capita consumption is forecast to grow to 21.3kg this year from 20.8kg in 2012. Next year, the significant increase in domestic production will be partially offset by higher exports, resulting in slower per capita consumption growth, rising by around 400g to 21.7kg.

The US Food and Drug Administration (FDA) is attempting to restrict antibiotic use in pig farming by mandating that producers can only purchase antibiotics on prescription from a vet. This policy has the aim of preventing farmers from feeding small amounts of antibiotics to pigs in order to boost growth rates. The large-scale use of antibiotics in farming has been linked to growing antibiotic resistance amongst humans and has therefore become a significant public health issue. However, producers will still be allowed to dose pigs with antibiotics to prevent illness, provided their vet prescribes it. The policy will take effect over the next three years.

After a strong start to the year, Brazilian pork exports have been falling sharply since March, leaving volumes down by 9% year-on-year in the first three quarters of 2013 at 389,300t. While the decline may have been influenced by average prices which have gone up by 2.5% to $2,600/t (£1,600/t), restrictions on trade with Russia due to the use of Ractopamine on Brazilian pig farms has been the principal driver.

Iain Macdonald and Stuart Ashworth – December 2013