<u>MARKET REPORT - APRIL 2021</u>

Cattle Update

- While prime cattle prime cattle prices trended higher for a seventh week in late April, the pace was its slowest of the upturn. Nevertheless, prices had still risen by an average of 5.6p per week over seven weeks. At 422.8p/kg, the market was 5.3% above the previous peak for the time of year, back in 2013, and was also above the July 2013 peak.
- Increases over 2020 have gone from 10-12% in the first ten weeks towards 20% at the beginning of April and then over a quarter in the week to April 24, while the lead over the five-year average has gone from around 10% in early March to 18% at the start of April and then 20% in the latest week.
- In late April, R4L steers reached a new record of 426.2p/kg, while R4L heifers reached 428.3p/kg, with a consistent premium for R4L heifers over steers since the beginning of February reflecting tighter heifer supplies.
- In late April, the rise in R4L steers over four weeks eased for a third week to 4.4%, while the uplift over eight weeks steadied at 9.8%, remaining below the summer 2020 peak increase of 12.4%. Given that prices had fallen to their annual low in the same week of 2020, the year-on-year increase widened further, reaching 24.8%.
- E&W prices continued trending steadily higher into late April, passing the £4/kg mark and moving 26.4% above year earlier levels. The Scottish premium has steadied at 5.5-5.9% in the four weeks to April 24, having recovered sharply through March. It had been 2.5-3.8% for three months from mid-December. While some of this recovery has been seasonal, the year-on-year reduction in the premium narrowed to less than 0.5 percentage points in April, having averaged two percentage points lower for five months to mid-March.
- R4L steers reached 409.9p/kg at E&W abattoirs in the week to April 24, extending their lead over 2020 to 23.7%. A significantly smaller increase than in the overall average points to an improvement in carcase quality over the past year. While the Scottish R4L steer premium slipped back in late April, it averaged 4% over a four-week period, compared to a low of 1.3% between mid-February and mid-March. This has taken it from similar to its five-year average for the time of year to well above it (2.8%).
- BCMS cattle supply data from January showed a marginally increased number of cattle aged 12-24 months on Scottish farms, but a significant decline in the 24-30-month group (-6.7%). However, the pool of cattle aged 6-12 months was 3.6% higher, due to a lift in calf registrations in Q1 2020, pointing to a recovery in supply in autumn and winter 2021/22. In the short-term, population data indicates that availability is likely to be even tighter in England, before recovering over the autumn and winter.
- While processing sector outages led to volatility in the prime cattle kill at Scottish abattoirs in late 2020 and early 2021, overall slaughter numbers increased slightly year-on-year across the October 2020 to January 2021 period. However, in February, prime slaughter then fell by a similarly small margin of 0.5% year-on-year, before a more marked reduction of 3.7% in March. Nevertheless, in the twelve weeks to March 27, the kill was up marginally on 2020, with a 2.2% increase in males offsetting a 2.4% reduction in heifers.
- Weekly prime cattle kill eased slightly between February and March at Scottish abattoirs, from just over 8,000 head to just above 7,850 head.

- Price reporting abattoirs unsurprisingly showed a reduction in prime cattle slaughter over the Easter holiday weeks. However, the recovery over the next fortnight was muted, with the two lowest totals of the year for full processing weeks. Over the four weeks to April 24, weekly slaughter is estimated to have averaged around 7,300 head. Numbers did however jump well ahead of 2020 levels, when market rebalancing, increased absence and the introduction of physical distancing protocols in plants had limited output.

- Eight of the first twelve weeks of 2021 had lighter prime cattle carcase weights than a year earlier at Scottish abattoirs, with steers trailing 2020 in ten of the twelve. The March average was down 0.4% on the year at 369.4kg, with steers at 385kg and heifers 350kg.

- In E&W, Defra slaughter statistics report a 3.4% year-on-year reduction in prime slaughter in March. This followed stability in February, and a flat combined total for December and January. Data from the price reporting abattoirs indicates that numbers have rebounded more strongly than in Scotland since Easter, exceeding their year-to-date weekly average by 2% in the week to April 24, compared to a 2% shortfall north of the border. Like in Scotland, numbers jumped well ahead of April 2020, when output had been limited.

- At Scottish abattoirs, -U4L steers averaged around 1p below R4L steers over a four-week period in April, down slightly from Q1. For heifers, the lead for -U4L over R4L grades held at 4-5p. Meanwhile, R4L heifers continued to trade around 0.5% over R4L steers, a market signal that first appeared in mid-February, likely reflecting relatively tighter supplies.

- Mature cattle slaughter opened 2021 at Scottish abattoirs at a three-year high in the first full processing week of the year (1,665). Since then, volumes have fallen seasonally. They averaged just over 1,100 head in March but trended lower through the month to end it at 1,000 head. Although March numbers exceeded year earlier levels by 4%, there had been increases of nearly 8% in January and 22% in February.

- Data from the price reporting abattoirs in Scotland suggests that the cow kill actually picked up at Easter. In the two weeks after Easter, numbers recovered further but remained below the levels seen before mid-March. Throughput has remained well above year earlier levels, up 38% in the latest four weeks

- While the prime kill had been relatively stable over the winter at E&W abattoirs, the mature cattle kill had fallen by nearly 6% from twelve months before, and this continued into March, with a 6.3% reduction on 2020 levels.

- Cull cow prices have continued to advance seasonally through April at reporting Scottish abattoirs, with O+3 grades reaching 320p/kg for the first time since May 2013. With the cow trade being hit hard in the early weeks of the pandemic, year-on-year increases have jumped from around 7-10% in the first three weeks of March to around 30% in late April, while the increase over the five-year average has risen from 11% to 17%.

- HMRC data indicates that the traditional seasonal decline in UK beef import volumes took place between January and February 2021. Furthermore, the year-on-year decline accelerated, from nearly 37% in January to 40% in February. While some of the January decline will have been driven by higher imports in December in case of problems at GB ports, the February figure pointed to a continuing sharp reduction in import requirements.

- Having fallen over 35% year-on-year in January, beef imports from the EU fell more than 40% in February, even dropping below the 2020-low point, indicating more than just a pandemic-related impact on import demand and Irish production. While the volume arriving from non-EU sources saw its decline slow from nearly 70% in January to 10% in February, it still accounted for only 2.6% of total shipments.

- UK beef exports showed some recovery in February, with the monthly increase being the first between the opening two months since 2014. Although the year-on-year decline slowed sharply from nearly 60% in January, it did remain significant at 32%, while volumes fell 24% below their five-year average, having been down more than half in January.

- While UK beef exports had risen in December before the change in trade rules, over the course of the winter, exports contracted by 28.5% year-on-year. Compared to their five-year average for December to February, they were down by nearly 21% - around twice the rate of decline through the autumn.

- February's partial rebound in beef exports was driven by similar increases of around 50% on January volumes shipped to both EU and non-EU countries. However, while the year-on-year decline to EU countries slowed from 67% to 44%, trade with non-EU countries returned to growth, up nearly 14% after January's 23% contraction.

- Having been considerably lower than 2020 through Q1, prime slaughter at Irish abattoirs moved slightly ahead of 2020 at Easter, reflecting the sharp demand-led contraction in kill in the early weeks of the pandemic. Weekly slaughter has barely crept higher since Easter, remaining well below a more normal weekly average for the time of year due to the limited availability of older prime cattle and a significant decline in those aged 12-24 months.

- The Irish R3 steer price continued to trend significantly higher through April, with the week to April 25 seeing a further lift of 1.5%, meaning an average of 1.3% per week for four weeks, more than double the pace seen in the previous four weeks. In euro, prices have reached their highest levels since summer 2018, with the year-on-year increase approaching 19%, compared to an average of 5% between July 2020 and March.

- With sterling weakening in April, Irish prices have risen by a weekly average of 1.5% in sterling to reach 351.6p/kg, up from around 331p/kg in late March and moving 17% above last year's levels, having been down slightly in late March. Having trended higher through the first quarter and peaked at 25% in late March, the Scottish premium has eased to 21%. Nevertheless, this remained well above the 2020 weekly average of 14%.

- US prime steer prices recovered to a 15-month high in mid-April. While they slipped back in the week to April 24, they were still nearly a quarter above year earlier levels when the market had been in crisis. In an indication of very strong demand at home and overseas, wholesale beef prices continued to trend higher, even surpassing year earlier levels when values had surged due to sharply lower beef production and household stock-building.

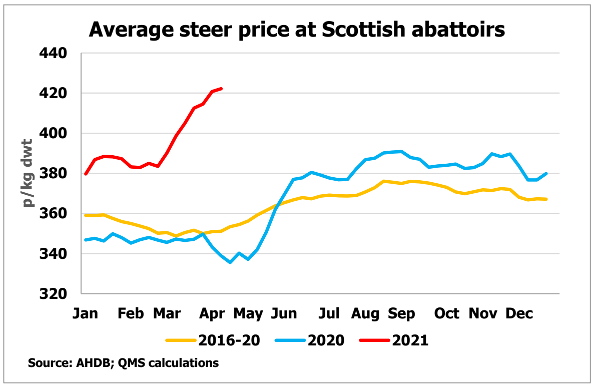
- In late April, US steers were equivalent to 304p/kg, giving Scottish R3 steers a premium of 39.5% - slightly above the year-to-date average. A weaker US dollar than last year has limited the year-on-year rise in US prices to just over 10% in p/kg.

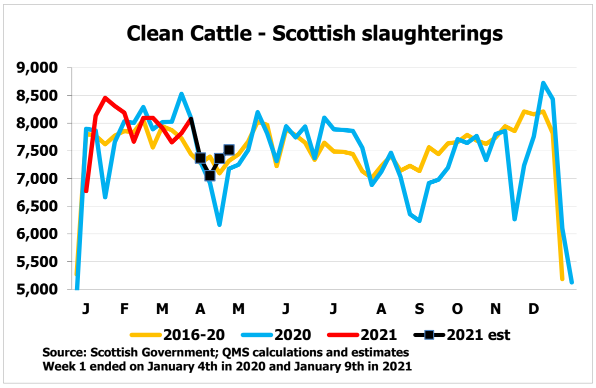
- Cattle by-product value (hides, offals, fats etc) in the US has continued to trend sharply higher through April, reflecting a strengthening global economy, now 63% above 2020 levels in USD and at the equivalent of 17.3p/kg liveweight, up nearly 5.5p from their low.

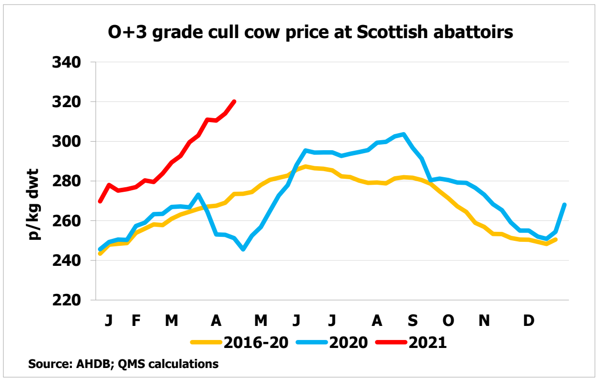
- Store cattle marketings have been at their spring peak in April, averaging around 4,050 head per week for steers aged 6-18-months in the four weeks to April 24, compared to just under 3,000 head in the previous four weeks, and a year-on-year increase of 17%.

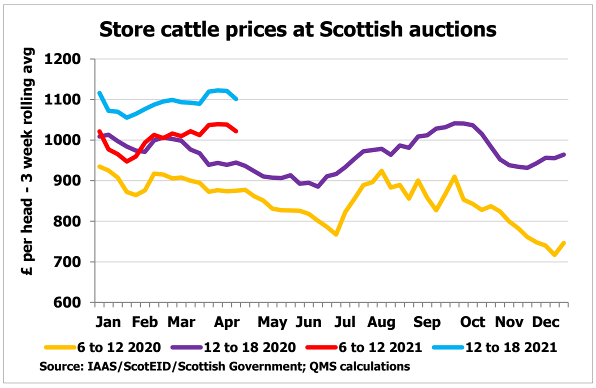
- After picking up to a year-to-date high in early April, store prices softened, averaging £1,022 for 6-12-month steers and £1,101 for 12-18-month steers in the three weeks to April 24. These work out at year-on-year increases of 16.5% and 17.5% respectively.

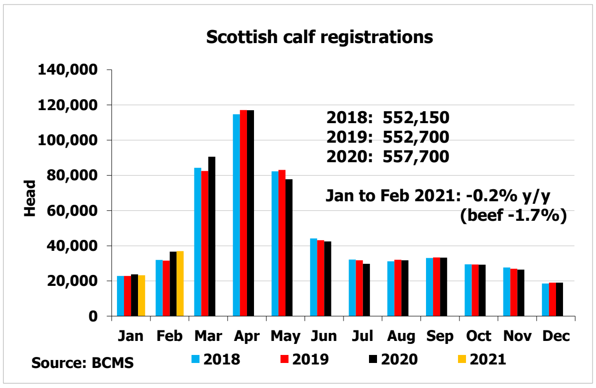
Cattle Charts

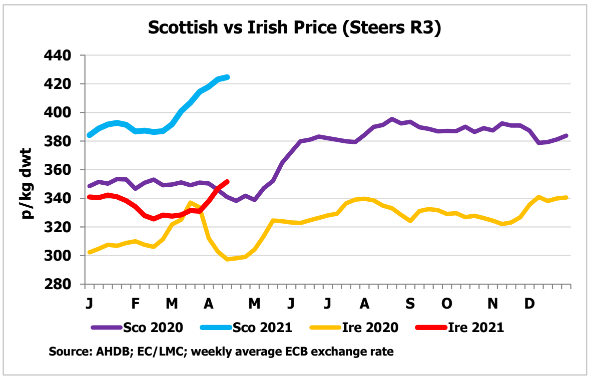


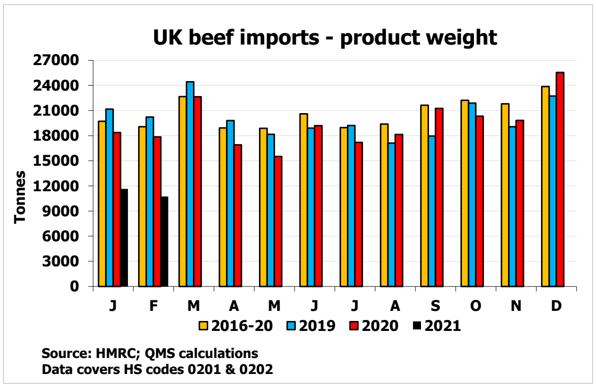


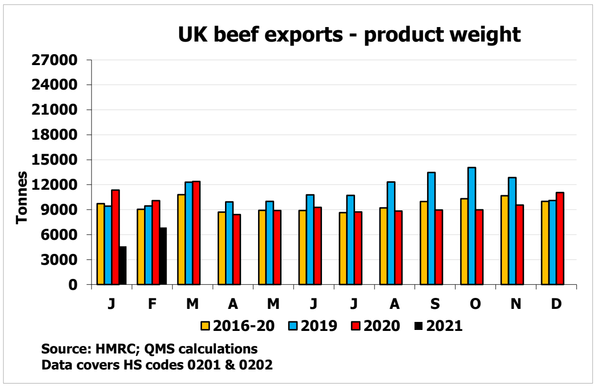












Sheep Update

- After cooling in mid-to-late-March, prices for 2020-born lambs surged again moving into April, trading at 300-315p/kg for 25.5-45.5kg hoggs between April 5th and 20th, peaking on the 7th, 8th and 15th, before slipping back. This may well reflect firm demand around Easter, leaving the market short for the peak procurement period ahead of Ramadan, which started on the 12th.

- Now that peak demand has passed, prices fell sharply in late April despite fewer sheep being sold, with the weekly average for Thursday 22nd to Wednesday 28th slipping 15p to a four-week low of 289.9p/kg.

- Nevertheless, year-on-year price comparisons still showed significant uplift, only easing to 35%. At the market peak in the first half of the month, the increases had been 47-48%, with the lift above the five-year average reaching 52%, having averaged 38% from mid-January to the end of March. This was also still nearly 11% above the early season peak from May 2020, down from a peak of 18% above it.

- At reporting GB abattoirs, hogg prices slipped back at Easter but then surged by around 60p/kg over two weeks to peak at 679.5p/kg for carcases weighing 12-21.5kg in the week to April 17th, placing them nearly a quarter above their May 2020 peak and 48% above year earlier levels. The following week saw a more marginal reduction than at auction sales, of just over 5p.

- Having traded at an average 2% discount to E&W prices for nine weeks and then 3-4% lower in late March and early April, the second week of April saw prices at Scottish marts close the gap to 0.3% - the lowest since the week to February 3rd. In the next week, Scottish prices then traded at a premium for the first time in five months, 1.1% higher, before matching E&W levels in the final week of the month.

- New season lambs have made a firm start, averaging 687p/kg dwt at GB reporting abattoirs in the week to April 24 and 348p/kg lwt at GB auctions in the week to April 28.

- In Scotland's December census results, the number of lambs left on Scottish holdings was 1.2% lower than in December 2019. However, with an increase of over 14% in the number being held back for breeding, the total number of hoggs for slaughter was down 2.4% from a year earlier. Given the 2% increase in the June lamb crop and higher store lamb marketings in the autumn, this highlights how the early marketing schedule in 2020 has resulted in a tight supply in the first quarter of 2021.

- In England, where the June lamb crop was 1% lower in 2020 than in 2019, early marketing saw total hogg numbers on farms fall 5.5% on a year earlier in December.

- Early marketing in the 2020 lamb crop year meant that fewer hoggs were carried over into 2021 and marketings have spent much of the first third of 2021 below their August to December weekly average, when in a normal year they would be above it from February to Easter. Auction volumes reached a 2021 peak in March, but barely reached the autumn average, before falling back to their lowest levels since July in the four weeks to April 21st. There was a further significant decline in the final week of April.

- Nevertheless, reflecting the market crisis of late March and early April 2020, numbers did run well above year earlier levels in the four weeks to April 14th.

- Across GB, auction marketings also picked up in March before slipping back, but there was a notable lift in the week to April 14th ahead of the start of Ramadan. New season lambs have gone from around 5% of total marketings at GB sales in late March/early April to 21.4% in the week to April 28th; in Scotland they only reached 1.4%.

- Weekly prime sheep slaughter trended slightly higher at Scottish abattoirs through March after easing over the course of February, ending the month back above 23,000 head having slipped to 21,300-400 in late February and early March. Week-to-week variation has reduced significantly after a volatile January.

- Prime sheep slaughter continued to trail year earlier levels at Scottish abattoirs in March but the decline eased to 3.8% from 17% in January and 12% in February. The reduced decline partly reflected the sharp fall of late March 2020, when lamb demand had plummeted as public health restrictions were implemented in the UK and EU.

- Lower slaughter in early 2021 at Scottish abattoirs is likely to reflect both reduced availability of hoggs and reduced export activity.

- At E&W abattoirs, the heavy declines in slaughter of January and February slowed in March, with a 1.4% reduction on 2020 levels. Like in Scotland, this will have partly reflected the sharp demand-driven reduction in kill in late March 2020. In the opening quarter as a whole, numbers fell 10% short of 2020 levels.

- Prime sheep slaughter trailed 2019/20 levels by 4.2% at Scottish abattoirs between June 2020 and March 2021, totalling 1.027m head. By contrast, the kill over the same period in E&W was still marginally higher, at 9.54m, despite a smaller lamb crop, suggesting increased cross-border movement for slaughter during the season.

- Lamb carcase weights fell behind year earlier levels in March at Scottish abattoirs after returning to growth in February. At 20.3kg, the March average was over 0.4kg (2.1%) lighter than in the previous month and around 0.3kg (1.3%) lighter than in March 2020. This was driven by a sharp fall to 19.2kg in the second week of the month.

- Defra slaughter statistics pointed to a sharp fall in GB ewe slaughter of over 15% in 2020, with the declines accelerating to -28% in the first quarter of 2021.

- After averaging around 6,000 head per week from mid-January to mid-March, cull ewe marketings fell sharply ahead of Easter and then averaged just over 3,300 head in April.

- With demand firm for Ramadan, cull ewe prices climbed to a peak of £108 per head in the first week of April, before slipping back for two weeks. The final week of April then saw a slight rebound to £98.50 despite a partial rebound in marketings, possibly as traders began to replenish stocks ahead of the end of Ramadan. Ewe prices often pick up a week earlier than the lamb trade ahead of Islamic festivals. This lift took the market up more than a third on 2020, and by nearly a quarter on the Q1 weekly average.

- Kantar reported that GB households had managed to still spend 6% more money on lamb than a year earlier in the four weeks to March 21, a period which had included the peak panic-buying phase at the beginning of the pandemic. Although, retail prices do appear to have been significantly higher, so the overall volume sold may not have risen.

- Sheepmeat imports to the UK continued to trail year earlier levels in early 2021, with a marginal 0.3% year-on-year fall in January followed by a 4% reduction in February. However, declines relative to the five-year average were much steeper – at 30% in January and 45% in February.

- Beef + Lamb NZ continued to report a sharp year-on-year fall in NZ lamb exports to the EU + UK in March 2021, with February's 26% decline followed by a drop of 23% in March. Furthermore, against the five-year average, the volume decline accelerated from 35% in February to 39% in March. With very strong sheepmeat demand from China, where wholesale prices are currently trading around £8.50/kg, overall NZ lamb exports increased by 5% on the year in March, despite reduced lamb throughput in the season-to-date.

- On the export side, UK sheepmeat sales to the EU recovered by 9% above their January low in February, with the year-on-year decline softening from 47% to 32%. While trade had surged in December ahead of the new trade rules, exports to the EU during the winter months were down by more than a fifth on 2019/20. However, this was not much stronger than the 17% decline through the autumn. Trade with non-EU countries rebounded to growth in February, more than doubling on the month to rise 55% above 2020.

- The new trading environment has had a major impact on the composition of exports, with lamb carcases surging from a 47% share in early 2020 to account for nearly 79% in early 2021, as the volume traded increased slightly. By contrast, bone-in cuts fell from 30% of exports to 13%, and boneless cuts from 6% to 2%, with exporters and hauliers cautious about potential delays at the border for mixed loads, especially from multiple sites.

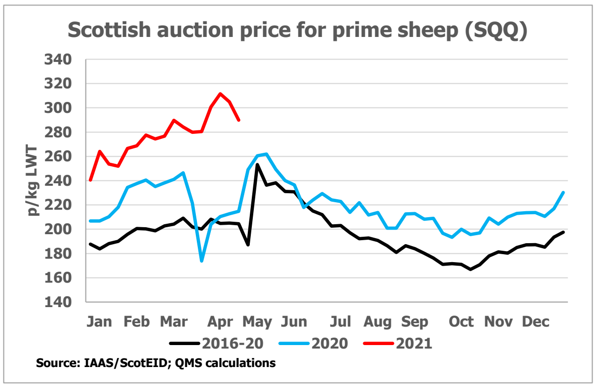
- Ewe carcase trade went from 17% of export volumes to only 5%, with some of this likely to reflect tight supply, given the sharp fall in GB ewe slaughter. Nevertheless, given that a higher share of mutton was exported than lamb pre-EU exit, this sharp contraction may help explain the relative weakness of farmgate ewe prices in 2021.

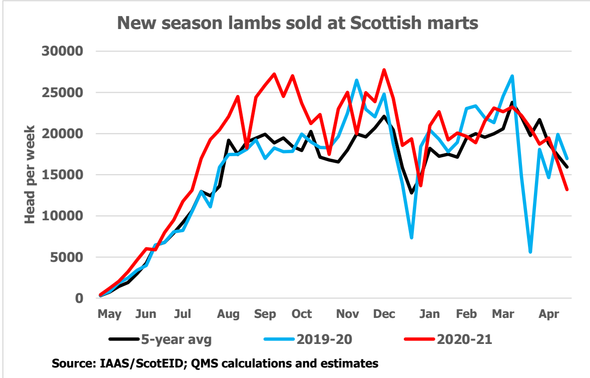
- In France, farmgate prices have steadied in April at around 1.5% below their peak in the week leading up to Easter, but still 8% higher than they had opened March. The year-on-year increase eased to 18%, compared to a peak of 24% at Easter but 7% as March began. Heavy lambs traded around the 650p/kg mark through April.

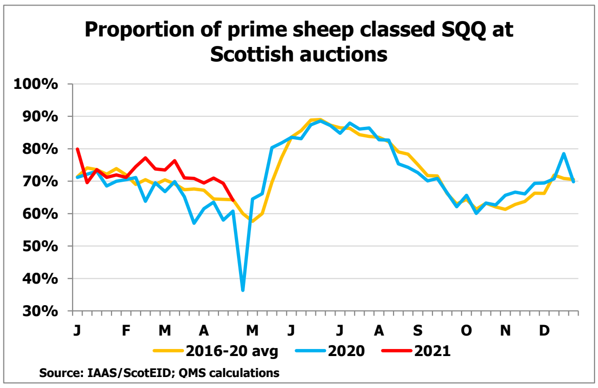
- Wholesale carcase prices at Rungis market in Paris for imported R grades rose by around 8% in the second half of March, reflecting the seasonal lift in demand at Easter. With Ramadan following closely after, prices jumped another 10% to peak from the 12-14th at €8.90/kg, before softening. However, having slipped back to €8/kg for a few days, the final day of the month saw a rally, lifting to €8.20/kg, working out at £7.12/kg.

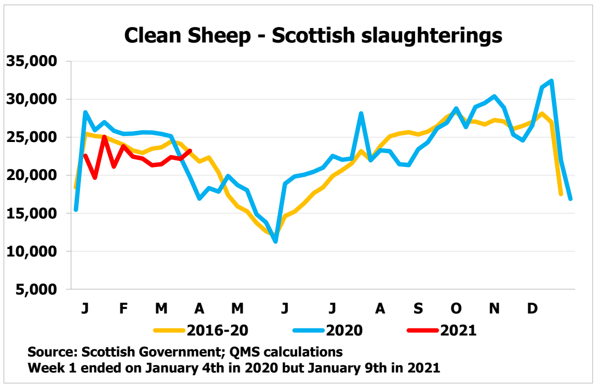
- Highlighting exchange rate movements, €8.20/kg converted to £7.12/kg on April 30th, compared to £6.99 at the end of March but £7.16/kg a year earlier.

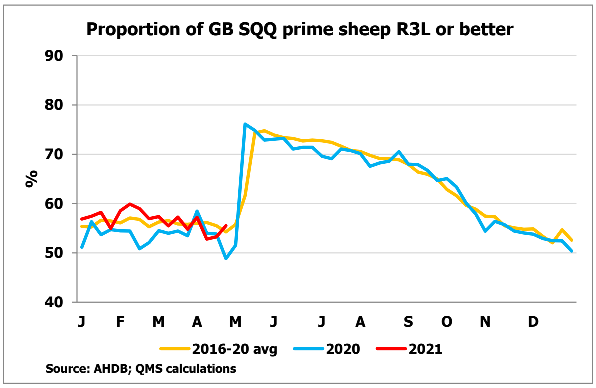
- Prices at Rungis point to little scope for GB exporters to make a margin, with French wholesale prices only 6.5% higher than GB deadweight prices in the week to April 24th. While down around half from the peak in the previous weak, there is slightly more room than between mid-February and mid-March when there had been almost no difference.

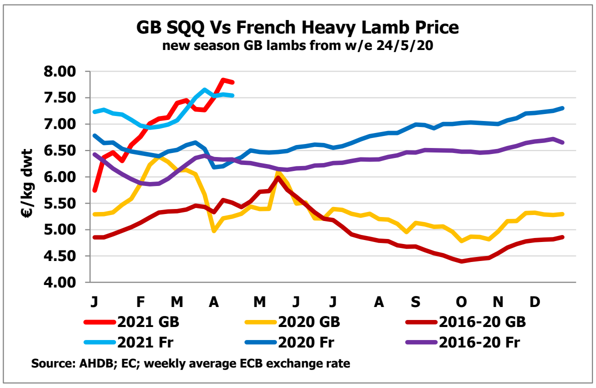

Scottish auction price for prime sheep (SQQ)
p/kg LWT
340
320
300
280
260
240
220
200
180
160
140
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2016-20
2020
2021
Source: IAAS/ScotEID; QMS calculations

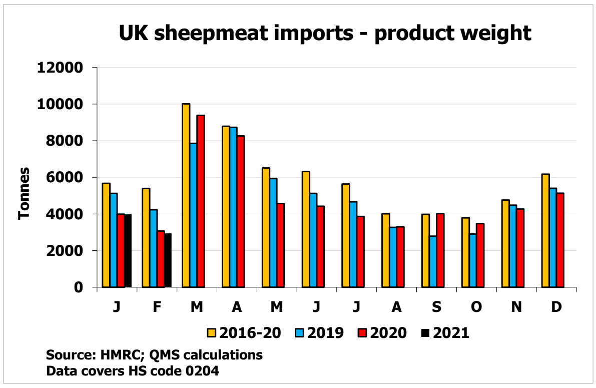

New season lambs sold at Scottish marts
Head per week
30000
25000
20000
15000
10000
5000
0
May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr
5-year avg
2019-20
2020-21
Source: IAAS/ScotEID; QMS calculations and estimates

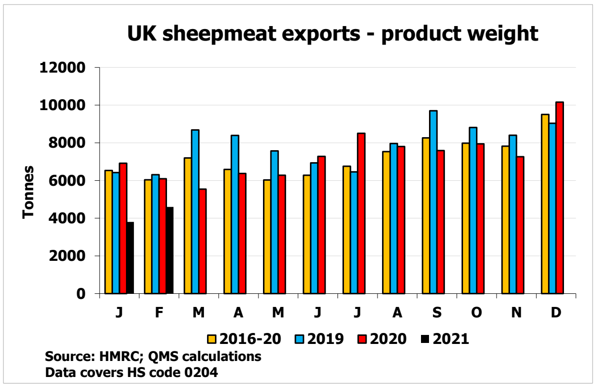

Proportion of prime sheep classed SQQ at Scottish auctions
100%
90%
80%
70%
60%
50%
40%
30%
J F M A M J J A S O N D
2016-20 avg
2020
2021
Source: IAAS/ScotEID; QMS calculations


Clean Sheep - Scottish slaughterings
35,000
30,000
25,000
20,000
15,000
10,000
5,000
J F M A M J J A S O N D
2016-20
2020
2021
Source: Scottish Government; QMS calculations
Week 1 ended on January 4th in 2020 but January 9th in 2021


Proportion of GB SQQ prime sheep R3L or better
%
90
80
70
60
50
40
J F M A M J J A S O N D
2016-20 avg
2020
2021
Source: AHDB; QMS calculations


GB SQQ Vs French Heavy Lamb Price
new season GB lambs from w/e 24/5/20
€/kg dwt
8.00
7.50
7.00
6.50
6.00
5.50
5.00
4.50
4.00
J F M A M J J A S O N D
2021 GB
2020 GB
2016-20 GB
2021 Fr
2020 Fr
2016-20 Fr
Source: AHDB; EC; weekly average ECB exchange rate


UK sheepmeat imports - product weight
Tonnes
12000
10000
8000
6000
4000
2000
0
J F M A M J J A S O N D
2016-20
2019
2020
2021
Source: HMRC; QMS calculations
Data covers HS code 0204


UK sheepmeat exports - product weight
Tonnes
12000
10000
8000
6000
4000
2000
0
J F M A M J J A S O N D
2016-20
2019
2020
2021
Source: HMRC; QMS calculations
Data covers HS code 0204

Pigs Update

- After showing the first signs of recovery at the end of February and through March, prime pig prices have climbed more strongly in April, outpacing the seasonal trend. By the week ending April 24, the GB SPP had risen 4.8% above its low point nine weeks previously. This is around three times faster than the lift in the 2016-20 average over the same period.
- The year-on-year decline in the SPP initially eased slowly from a peak of 14.9% in February to 14% in late March, before falling to 11.5% in the week to April 24. Meanwhile prices have gone from 2.2% behind their five-year average to a shortfall of 1.6% in late March, before moving ahead of it in mid-April and pushing 1.4% higher in the week to April 24.
- One factor helping drive the recovery has been a reduction in the backlog of slaughter-ready pigs that had weighed on the market over the winter. Since late March, the proportion of carcases at reporting abattoirs weighing within the 70-104.9kg range has steadied at around 94.5%, up from around 92% in the first two months.
- Carcase weights have fallen back significantly, with their year-on-year increase dropping from around 5% in the opening two months, to 4% for much of March, down to 2.5% in mid-April. Weights in the SPP sample fell from 90.3kg in late February to 88.5kg in late March, to 87.1kg in the week to April 24.
- Over the winter, heavier weights had helped underpin carcase value, holding it around 4-5% above the five-year average and limiting its year-on-year decline to 10%. The reduction in carcase weights initially saw carcase value continue to decline until mid-March and has resulted in a slower upturn since. In the week to April 24, the average carcase was valued 1.7% higher than at its low in the week to March 20, and 1.1% above its level in the same week as per kilo prices had fallen to their February low.
- At E&W abattoirs, slaughter numbers declined by 2.6% year-on-year in the final quarter of 2020 as the processing sector faced numerous outages. The challenges continued into January, with numbers trailing year earlier levels by over 13%; though some of this was down to two fewer working days. However, the recovery began in February, with numbers rising 6.4% on 2020, before a surge in March led to an uplift of nearly 14% on 2020.
- This saw the cumulative decline since October narrow to 0.3%, indicating that any backlog in pigs had disappeared (given a 0.8% fall in fattening pigs on English farms in December).
- At price reporting GB abattoirs held up relatively well in the Easter holiday weeks, before slowing in the fortnight after. Nevertheless, in the four weeks to April 24, it still averaged 5% above the first six full processing weeks of the year.
- At Scottish abattoirs, the recovery in prime pig slaughter seen in the second half of February continued for most of March. Numbers exceeded year earlier levels by 9.4% year-on-year in the first three weeks of the month, on the back of an 8.1% lift in the second half of February; though a similar sized decline in the week to March 27 saw the increase slow to 4.5% for the month as a whole. By late March, the cumulative year-on-year decline had eased to 14%, down from 23.6% at the end of February.
- Sow slaughter remained at a minimal level at Scottish abattoirs until the week to March 27 when close to 400 sows were handled, returning numbers to around year earlier levels and doubling the year-to-date total.

- At GB abattoirs, sow slaughter rebounded sharply in February and March, having declined steeply over the winter months. After a reduction of more than 5% in Q4 2020, there was a 29% contraction in January, before increases of 19% in February and 27% in March. In Q1 2021, numbers ended up rising nearly 6% on 2020.

- December census results pointed to a small reduction in the English breeding sow herd compared to a year earlier. However, there was a sharp increase reported in Scotland, leading to a combined increase of 0.4%. For fattening pigs, putting together a small fall in England with a large increase in Scotland gives the same small net increase.

- Kantar data for the 12 weeks to February 21st unsurprisingly points to a renewed upturn in GB retail spending growth on pork as public health restrictions tightened. The growth rate in retail spending on fresh pork climbed to around 26% compared to around 16% in the autumn, returning it to the highs of last summer. Meanwhile, the surge in spend on frozen pork also returned to its highs. Sales growth for fresh pork was supported by a higher share of households buying and to a slightly lesser extent, the frequency of purchase. Meanwhile, retail price inflation slowed, as falling farmgate and import prices passed through the supply chain.

- Sales of processed meat products reported by Kantar showed no uplift in year-on-year growth over the winter despite a strong increase in the frequency of purchase. Growth in spend on cooked meats, bacon rashers and sausages held around the 12-16% band in which they had been in the 12 weeks to the end of November.

- Over the winter, increased carcase weights helped support overall UK pigmeat production, with the fall in January less than the previous month's increase, and then production rose more strongly in February and March, suggesting more product was available for export. However, imports did fall by almost a third in the first two months.

- UK pork imports fell sharply in early 2021 despite EU pigmeat being very competitively priced. However, the potential to import at a lower cost will have placed pressure on prices in UK supply chains, especially those where price is key. The sharp fall in the EU pork market in the second half of 2020 meant that the EU average pig price spent the autumn and winter around 20% below the GB SPP, with this filtering through to UK import prices between December and February, down around 15% on the year.

- However, the EU market began to recover in February and surged for five weeks from the third week of February, resulting in prices being around a fifth higher in late March than they had closed January. Meanwhile, the gap to the GB SPP narrowed to within 5%. However, the EU market has stalled over the past month, with the GB premium picking up to 7% in the week to April 24.

- A forecast for the key German pig market pointed to a significant fall in late April, although some of this pressure appears to have come early in the week to April 24. Nevertheless, it is possible that the gap between GB and EU average has widened towards 10% in the final week of April. Sharp reductions in wholesale prices were then reported at the end of April and the German carcase price forecast pointed to further decline into May.

- UK exports to EU countries at the beginning of 2021 fell sharply, with the volume of pork being 72% lower than a year earlier. The composition of trade was also affected by the introduction of trade frictions, with carcases rising from 29.3% of export volumes in the first two months of 2020 to 56.3% in early 2021. The volume exported did still fall, but by a well-below average 45%. By contrast, boneless cuts dropped by 82%, with their share down to 36.9% from 58.3% a year earlier, while bone-in cuts were nearly 85% lower, reducing their share to 6.8% from 12.4%.

- Some of the reduction in exports to the EU have been replaced, at least in terms of overall volume, by shipments to non-EU countries, particularly China/Hong Kong. This trade was also hit by processing sector outages in January, but rebounded sharply in February, meaning that overall pork exports rebounded to within 7% of year earlier levels in February, and were a fraction above their five-year average, having been down more than 50% in the opening month.

- Highlighting the importance of China/Hong Kong to the UK pork sector, its share of UK export volumes climbed from under a quarter in 2016-18 up to 36% in 2019 and then 49% in 2020. Moving into 2021 it has become even more vital, accounting for 56% in January and almost 64% in February. Export volumes rebounded in February to surge 40% above year earlier levels, having been down 37% in the opening month. Over 97% of the volume exported in early 2021 was frozen pork, with 72% being frozen boneless cuts, and an increased 23.5% share being bone-in.

- In China, wholesale pork prices have fallen sharply since procurement for the Lunar New Year holiday in February. Local analysts point to a surge in slaughter as farmers that were nervous about the renewed risk of African Swine Fever sent pigs to the abattoir early. However, imports have also been strong.

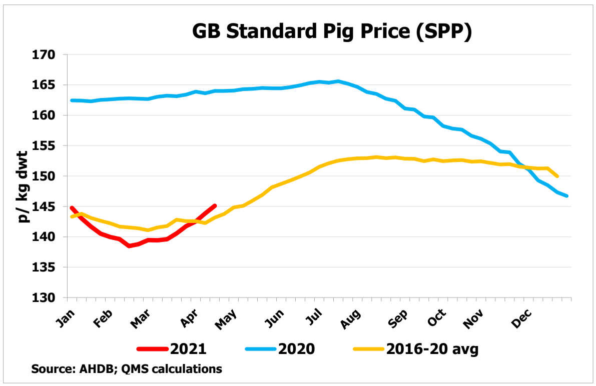
- Chinese wholesale pork prices began to slide in the final week of January and the weekly declines averaged over 3% until mid-April. In the second half of April, prices have continued to fall more slowly, but at a more normal seasonal pace, holding the year-on-year decline at just below 30%. Meanwhile, prices have held around 45% above their 2016-18 average for late April, reflecting the country's continuing protein deficit. In sterling, prices have dipped below £3.50/kg, down from around £5.30/kg in January.

- A spike in feed prices over the winter came at a bad time for producers, adding to the squeeze from reduced farmgate prices and longer feeding periods. Defra's monthly straights price update for March shows that while feed wheat and barley continued to trend higher, soyameal slipped to its cheapest in five months. Compared to March 2020, wheat was up more than a third, barley by over a quarter and soyameal by 11%.

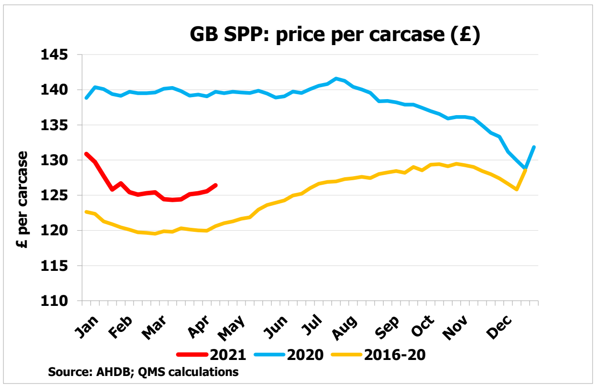
- While feed prices eased in the first half of April on better harvest prospects across the world, prospects have deteriorated again in the second half of April, leading to renewed price uplift. As May began the Farmers Weekly quoted feed wheat at just under £200/t in North East Scotland, while feed barley traded at £165/t, up from around £192/t and £160/t at the beginning of April, and year-on-year increases of around 37%.

- Meanwhile, Farmers Weekly reported that soyameal had risen to a five-week high of £384/t, putting it nearly a quarter higher than last year.

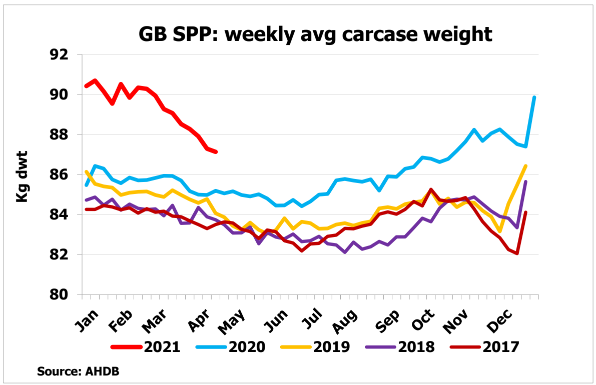
Pig Charts



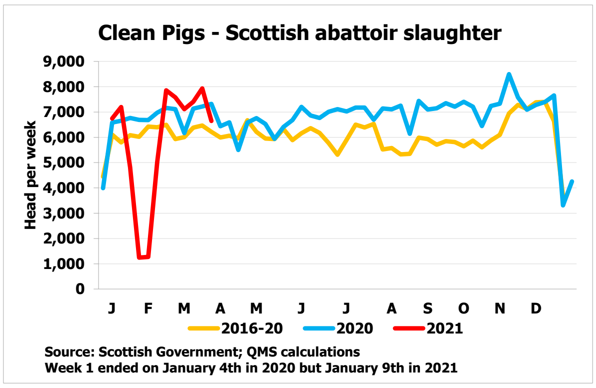
GB Standard Pig Price (SPP)
p/ kg dwt
170
165
160
155
150
145
140
135
130
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2021
2020
2016-20 avg
Source: AHDB; QMS calculations



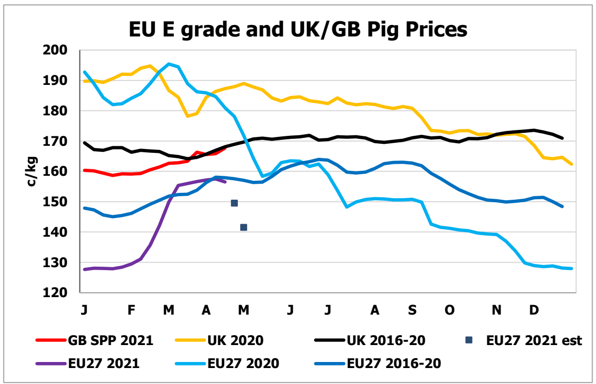
GB SPP: price per carcase (£)
£ per carcase
145
140
135
130
125
120
115
110
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2021
2020
2016-20
Source: AHDB; QMS calculations



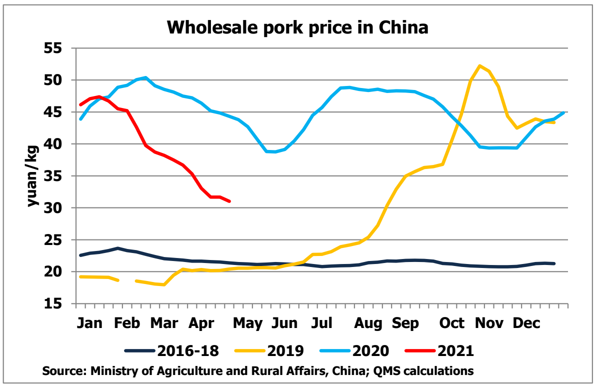
GB SPP: weekly avg carcase weight
Kg dwt
92
90
88
86
84
82
80
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2021
2020
2019
2018
2017
Source: AHDB



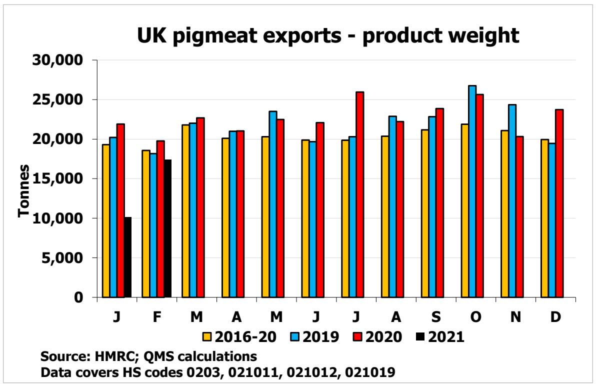
Clean Pigs - Scottish abattoir slaughter
Head per week
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
J F M A M J J A S O N D
2016-20
2020
2021
Source: Scottish Government; QMS calculations
Week 1 ended on January 4th in 2020 but January 9th in 2021



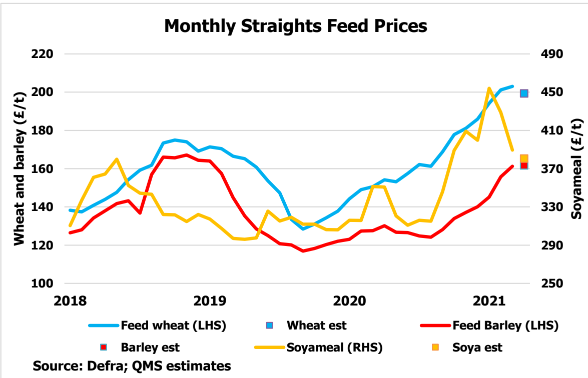
EU E grade and UK/GB Pig Prices
c/kg
200
190
180
170
160
150
140
130
120
J F M A M J J A S O N D
GB SPP 2021
UK 2020
UK 2016-20
EU27 2021 est
EU27 2021
EU27 2020
EU27 2016-20



Wholesale pork price in China
yuan/kg
55
50
45
40
35
30
25
20
15
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2016-18
2019
2020
2021
Source: Ministry of Agriculture and Rural Affairs, China; QMS calculations



UK pigmeat exports - product weight
Tonnes
30,000
25,000
20,000
15,000
10,000
5,000
0
J F M A M J J A S O N D
2016-20
2019
2020
2021
Source: HMRC; QMS calculations
Data covers HS codes 0203, 021011, 021012, 021019



Monthly Straights Feed Prices
Wheat and barley (£/t)
Soyameal (£/t)
220
200
180
160
140
120
100
490
450
410
370
330
290
250
2018
2019
2020
2021
Feed wheat (LHS)
Wheat est
Feed Barley (LHS)
Barley est
Soyameal (RHS)
Soya est
Source: Defra; QMS estimates

Business Environment

Economic Activity:

Purchasing Managers Index (PMI) scores for March highlighted a significant shift in UK economic optimism as businesses and households reacted to announcements of a pathway towards reduced public health restrictions. Having approached the index score of 50 indicating no change in February, there was a jump to a seven-month high of 56.3 in March, supported by property sales and orders in advance of reopening. Meanwhile, the manufacturing sector continued to expand, with its score outpacing its average over the previous eight months by around four points, approaching 59. Construction activity surged in March (61.7) as delayed projects were renewed and firms invested in upgrading premises ahead of reopening, but major global and local logistics issues led to elevated costs.

Provisional results for April point to a further uplift in activity as the path to reopening looked increasingly sustainable, with both manufacturing and services recording scores above 60.

Increased orders and optimism of a sustained rise in demand saw manufacturing and services firms add staff in March, with a further strengthening reported in the provisional April report.

Scotland's composite PMI indicator rebounded into positive territory for the first time in six months in March, with confidence surging amongst services firms. However, a rise in manufacturing jobs wasn't quite strong enough to offset further job losses in services. The deficit to the UK PMI reading narrowed sharply and was the second smallest of the pandemic.

In the Scottish Government's latest business survey results for April 6-18, there was the first signs of recovery in the accommodation and food services sector, with the share of firms trading passing the 40% mark for the first time since Christmas. Of the firms in this sector still trading or temporarily closed, 91% had staff on furlough (84% of the firms still trading had staff on furlough), with 66% of staff furloughed. These measures showed little change, with the proportion furloughed remaining close to double its autumn low point and more than three times higher than across all business sectors (19%).

Consumer Confidence and Spending

After significant improvements of five points in February and seven in March, GfK NOP reported a marginal lift in UK consumer confidence in April, with net pessimism falling to -15 - its lowest levels since the -9 recorded as the pandemic arrived in March 2020. This is likely to reflect the success of the UK vaccination programme allowing further progress along the pathway to fewer restrictions.

On balance, people now expect their finances to improve in the coming year (+10), while pessimism around the general economic environment has been falling sharply. On balance, people are still delaying large purchases (-12) and building savings (+22).

According to the ONS, UK retail sales turnover returned to year-on-year growth in March, with the comparison being against the early stages of the pandemic when sales had plummeted. Indeed, spend in non-food stores went from being around a quarter below 2020 levels in the opening two months to rise 4.5% in March; though it still trailed March 2019 by 18%. However, spending in food stores was only a fraction higher, reflecting the surge in spend in mid-March last year at the peak of the uncertainty, and it was up 11% on two years ago. Online spending growth remained firm but softened to 43% from 47-48% in the opening two months. Compared to two years ago, it was 51% higher. After adjusting for inflation, spend on fuel edged back above last year's levels, but was still down more than a fifth on 2019.

Exchange Rates:

	w/e 2/5/21	April 2021			w/e 3/5/20	April 2020		
		Low	High	Avg		Low	High	Avg
€:£	86.9p	85.2	87.0	86.5	87.2p	86.9	88.5	87.5
$:£	71.9p	71.5	72.8	72.2	80.1p	79.3	81.6	80.6
NZD:£	51.9p	50.7	52.1	51.6	48.8p	47.7	49.1	48.4

Having risen by around 6% against the euro through the first quarter of 2021, sterling gave back around a third of this in April. While the Q1 move had been linked to the relative success of the UK vaccination programme, boosting economic and investment prospects, and reducing the probability of a further cut in interest rates to zero or below, analysts had suggested that sterling had become overvalued relative to economic fundamentals, so April may have been a rebalancing, helped by progress in EU vaccination rates.

While sterling has risen in 2021, it remains at an historically weak level, thereby supporting the competitiveness of domestic product at home and overseas; though some of this has been offset by greater trade frictions on exports to the EU than on imports.

The NZ dollar continues to see support from the much reduced level of public health restrictions compared to other developed economies. However, sterling did show some relative recovery in the first quarter, before easing a little again in April.

Having trended steadily downwards for five months from late September 2020, the US dollar made a slight recovery in March before softening again through April. The large scale of the new Administration's economic stimulus measures combined with a highly supportive monetary policy has analysts watching closely for signs of inflation.

Iain Macdonald, May 2021