MARKET REPORT - MAY 2021

Cattle Update

- Prime cattle prices declined through May at Scottish abattoirs, averaging 4.2p lower each week and ended the month around where they had been at Easter, averaging 412p/kg.
- Given a sharp market recovery in May 2020, recent price falls have resulted in a sharp drop in the year-on-year increase, almost halving from a high of nearly 90p/kg and 27% at the end of April. There has also been a general upwards trend in May in recent years, so the rise over the five-year average has slowed from a peak of around 21%, while the premium over the record high for the time of year narrowed to less than 1%.
- In late May, R4L steers had softened to 416.8p/kg, while R4L heifers slipped to 418.2p/kg. A consistent premium for R4L heifers over steers since the beginning of February may reflect relatively tighter heifer supplies.
- At the end of May, R4L steers were down by 3.6% on four weeks before. Meanwhile, the lift over eight weeks almost disappeared having peaked at nearly 12% at the end of April.
- E&W prices began to soften a week earlier than in Scotland, though the first two falls were only marginal. Prices fell by an average of 3.2p per week in May, taking them from above £4/kg down to 387.4p/kg. The annual increase slowed to 14.2% from a peak of 26.4% in the third week of April.
- After surging above 7% at the end of April, the Scottish premium over E&W for all prime cattle settled at 6-6.5% through May, holding well above the Q1 average of around 3.5%. While some of this recovery has been seasonal, the premium spent most of the month slightly exceeding year earlier levels having been significantly lower for seven months
- As May ended, R4L steers slipped back below £4/kg for the first time since late March at E&W abattoirs, averaging 398.7p/kg. This saw the year-on-year lead slow to 14.2% compared to an April peak of nearly 24%. After climbing above 5% in late April and early May the Scottish premium has softened to end May at 4.5%. The May average was slightly higher than in April (4.7% v 4.3%) and it held above the five-year average (3.3%).
- BCMS cattle supply data from April showed a changing supply situation on Scottish farms with the population in the 12-18-month category rising by 8.6% from a year earlier. With slightly fewer at 18-24 months, the net result was a 4.1% increase at 12-24 months. However, there was still a significant reduction at 24-30 months, down 4.2%; the 18-24 population was held up by increased females; and the increase in the 12-18 month group was at the lower end of the age range, so overall availability for slaughter is likely to remain relatively tight in the short-term.
- Weekly prime cattle kill fell by an average of 4.2% between March and April at Scottish abattoirs, and was 5.4% below the average through Q1 2021.
- After two months of decline, prime cattle slaughter at Scottish abattoirs returned to year-on-year expansion in April, rising 8.6% in the four weeks to May 1. If you add the week ending April 3 so that both Easter weeks are included in the annual comparison, the rise was a slightly smaller 7.4%. However, this increase is partly a reflection of the reduced kill in April 2020 as abattoirs had to adapt their operations and experienced higher absenteeism. This increase saw the year-to-date total end April 2.2% higher than 2020, with heifers lagging, up 0.9%.

- Prime cattle slaughter trended seasonally higher through May at reporting Scottish abattoirs and rebounded back above the year-to-date weekly average in the second half of the month.

- At E&W abattoirs, supply had been relatively tighter than in Scotland until Easter but this position reversed in April. During May, numbers averaged marginally above the year-to-date weekly average in E&W but nearly 3% below it in Scotland; though the final week of the month did see Scottish volumes rise 5% above it compared to being 3% higher in E&W.

- On the back of declines in 2020, prime cattle carcase weights spent much of the first quarter trailing year earlier levels. This continued for much of April, averaging 0.3% lower in the four weeks to May 1. Steers averaged 382kg and heifers 354kg.

- Defra slaughter data for E&W abattoirs shows that after a year-on-year reduction of 1.5% in Q4 2020, the declines accelerated in Q1 2021, down 3.3%. April slaughter then trailed 2020 levels by 6.9%, resulting in a year-to-date reduction of 4.2%.

- At Scottish abattoirs, -U4L steers averaged 1.6p below R4L steers in May, moving back in line with Q1 having briefly reversed in April (+0.5p). For heifers, the lead for -U4L over R4L grades held at 4-5p. Meanwhile, the lead for R4L heifers over R4L steers closed a little from its 0.5% average between mid-February and late-April.

- After falling seasonally in February and March, mature cattle slaughter steadied at Scottish abattoirs in April, averaging just over 1,100 head per week. However, this was down almost 13% on the Q1 average. Slaughter continued to exceed year earlier levels, rising 17%. In the first third, numbers were 13.4% above 2020 levels.

- Cow slaughter at reporting abattoirs fell to a seasonal low between mid-March and mid-April before trending steadily higher, ending May at its highest since late February. Throughput has held well above year earlier levels so far in 2021, up 19% in May.

- Having fallen by 4.2% year-on-year in Q4 2020 and 6.1% in Q1 2021, the mature cattle kill at E&W abattoirs returned to year-on-year increase in April, edging 1.1% higher.

- The seasonal upturn in cull cow prices ended in late April, with prices steadying at reporting abattoirs in the first half of May and then easing back to end the month around where they had been in mid-April. After passing 320p/kg for the first time since May 2013, O+3 grades had cooled to 316p/kg at the end of May, placing them 14% higher than last year and 12% in front of their five-year average - the smallest margins since March.

- The volume of beef available for use in the UK in Q1 2021 is estimated to have fallen by around 6% year-on-year. Beef production fell by 3.4%, while HMRC data indicates that the volume added to the market by imports declined by 36%. Although exports fell at an even faster rate than imports, down 40.5%, the change in volumes was smaller in tonnes. Obviously, this basic balance omits considerations such as carcase balance and trade volumes are based on product weight rather than carcase weight equivalent.

- UK beef import volumes rebounded seasonally in March, rising by nearly 41% from February. However, this outpaced the five-year average increase of 19% between the two months and although the year-on-year declines continued, the rate slowed from over 40% in January and February to be a third lower in March.

- While beef imports from the EU fell more slowly in March than February they were still down by a third on 2020 levels and held below the 2020-low point. Meanwhile, imports from non-EU countries were 11% lower than last year in March following a 10% decline in February and a near-70% fall in the opening month. They made up only 3% of imports; though since a large share of this non-EU meat was boneless beef, when converted into carcase weight equivalent, it will have had a greater impact on the market.

- UK beef exports continued to recover in March, rising 26% on February volumes compared to an average lift of 19% between the months on a five-year average basis. Nevertheless, volumes were still down 30% on last year and by a fifth on the five-year average.

- The rise in beef exports between February and March was nearly all down to EU trade. However, exports to the EU were still 35% lower than last year. Trade with non-EU countries was down 14% on 2020, having been a similar proportion higher in February, and its share of exports slipped back to 29% from 34-35% in the first two months.

- In the Irish Republic, prime cattle slaughter fell heavily year-on-year in Q1 due to tight supplies on farm in the 12-24 month age group and a sharp contraction in cattle aged 24-30 months. While throughput has been running slightly higher than 2020 since Easter, it has remained below the 2017-19 average, with 2020 volumes hit by the pandemic. Throughput remained below the Q1 weekly average in May.

- A slight weakening of sterling through April had seen Irish prices climb faster in sterling than in euro but a currency reversal in May saw Irish R3 steers stabilise at around 358p/kg in May. In the second half of the month, this left them 10% dearer than last year, compared to a peak rise of 19% in late April.

- After peaking at almost 26% at Easter the premium for Scottish R4L steers over Irish R3 steers declined for eight straight weeks to close May at 16.5%. This was still two percentage points above the 2020-weekly average.

- US prime steer prices have held around 2.5% below their mid-April high through May, ending the month 3-4% higher than last year. However, the upwards trend in wholesale beef prices has remained unbroken since March, driven by strong domestic and overseas demand. Farmgate prices have not followed the wholesale market higher due to a backlog on farm as labour supply shortages limit slaughter capacity.

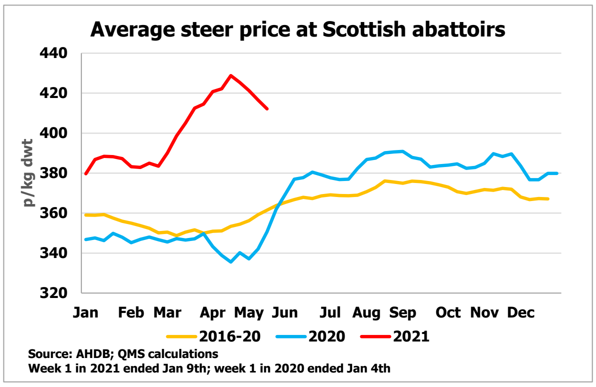
- Due to a weaker US dollar than last year, reflecting economic stimulus measures, US steer prices closed May around 10% lower than last year in sterling, at 297p/kg. This gave a Scottish premium of 40% - slightly above the year-to-date average.

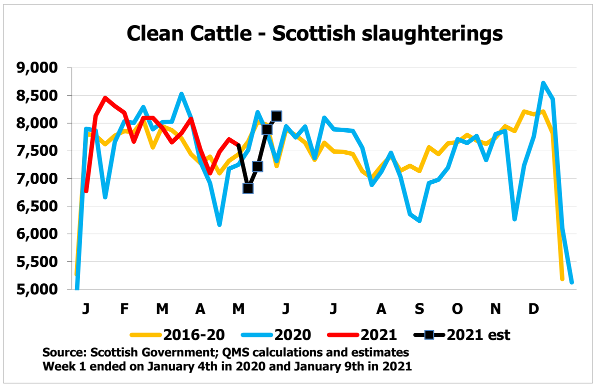
- Cattle by-product value (hides, offals, fats etc) in the US continued to trend higher in May, supported by a global economic upswing, ending the month around 70% above 2020 levels in USD and by 48% in p/kg. By-product was worth around 19p/kg lwt in May compared to a 2020 low of 12p/kg.

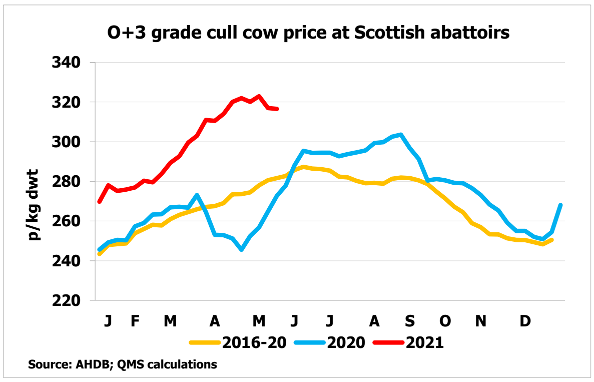
- In May, store cattle marketings fell back from the spring peak reached in April, averaging less than 2,000 head per week for steers aged 6-18 months compared to over 4,300 in April. However, this was still 6.6% above year earlier levels.

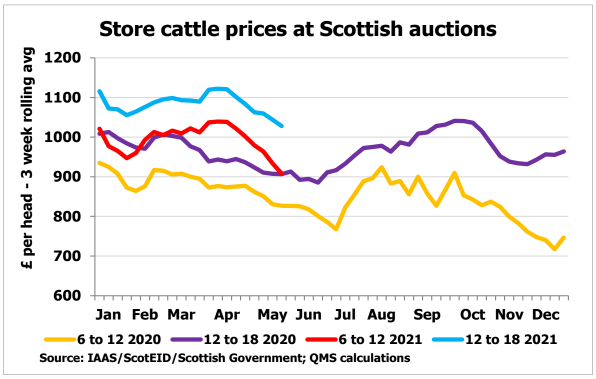
- Store cattle values cooled further from their seasonal peak in May, with prices paid for 6-12 month steers averaging 9.4% lower than in April, at £927, while 12-18 month steers were down 5.4% at £1,039. However, prices ended the month well below these levels, at £870 and £995, respectively. Having been 18% above 2020 in April, May prices were 12-14% above 2020.

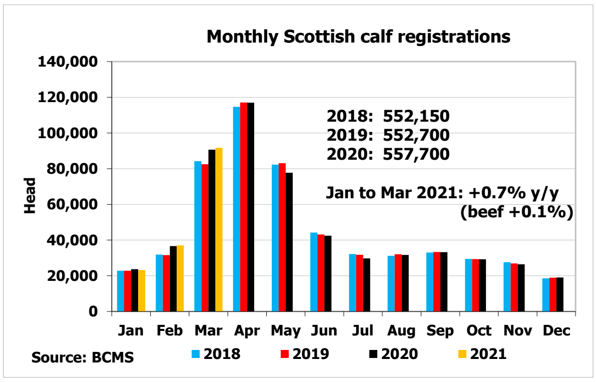
Cattle Charts

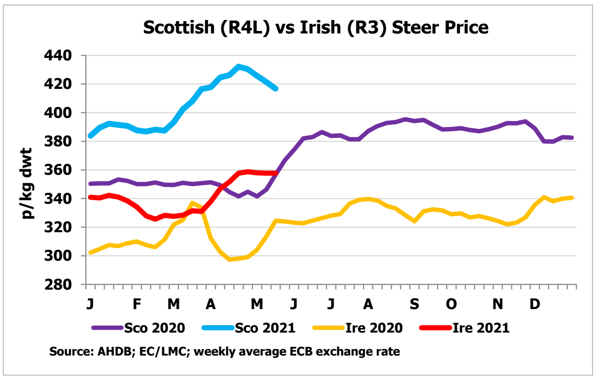


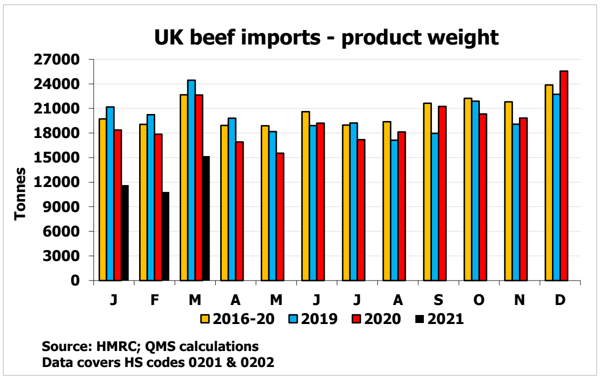


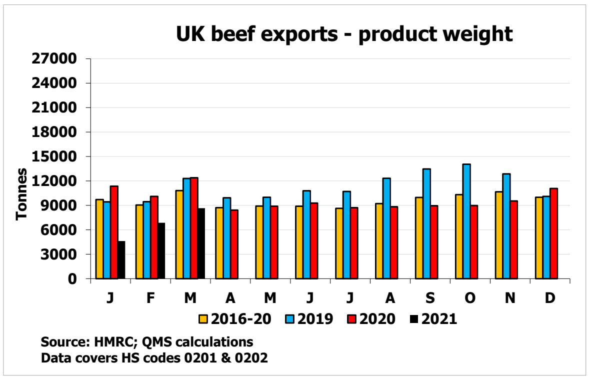












Sheep Update

- New season lamb volumes have been building, doubling at Scottish marts in the first week of the May, then rising 60-70% for two weeks, then 45% for a fortnight. At the same time, old season lamb marketings have been falling seasonally, dropping to around a third of their month-earlier levels in the week to June 2. This has seen overall volumes nearly halve. Overall volumes held up until the end of Ramadan, falling sharply in mid-May.
- December census results from Scotland and England point to a marginal lift in breeding sheep numbers this spring but, given the cold wet start to the year, and cold April, it seems likely that lambing rates will have fallen back after a strong 2020 (including a record high lambing percentage in Scotland) resulting in a smaller lamb crop.
- After opening May above 2020 levels, new season lamb marketings at Scottish sales then fell around 25-30% below year earlier levels for four weeks, fitting with projections of a smaller lamb crop and slower arrival onto the market due to a cold spring. Overall lamb marketings were below 2020 levels in four of the five weeks to June 2.
- Across GB, auction marketings jumped in the week to May 12 ahead of the end of Ramadan before falling back sharply. Having been above 2020 in early May, total marketings then fell behind for three weeks, with new season volumes down 16% year-on-year in the weeks ending May 27 and June 2.
- By the week ending June 2, new season lambs had climbed to 42% of weekly sales at Scottish marts and 79% across GB, up from 4% and 30% four weeks before, with marketings around three weeks behind in Scotland.
- New season lamb prices traded above 340p/kg in the two weeks to May 12, with the market seemingly short at peak procurement for the Eid festival at the end of Ramadan. The next week then saw demand drop sharply and prices slipped below 320p/kg. However, the reduction in supply towards the end of the month saw prices trend higher for two weeks, approaching 330p/kg as June began.
- Having traded at a discount to E&W marts for three weeks, with gaps of 4% and 2% either side of the Ramadan peak, lamb prices rebounded to average marginally higher at the end of the month at Scottish marts.
- Year-on-year price increases have picked up in the new season from where they left off in the old season, with lambs trading 20-30% higher for three weeks then moving ahead by 37% in the week to June 2. Meanwhile, the rise above the five-year average spent three weeks at around 35% before jumping to 42% at the turn of the month, holding in a similar range to where hogg values had been between January and April.
- Having opened May around the 290p/kg mark, prices for 2020-born lambs fell back towards 260-270p/kg after procurement for the end of Ramadan. With new season lambs being the majority of supplies towards the end of May, prices fell back seasonally, trading around 230-240p/kg. At this level, 2020-born lambs are trading at similar levels to where the new season trade had been at the same point last year, averaging 36% higher on the year.
- After trending slightly higher through March, weekly prime sheep slaughter trended slightly lower again at Scottish abattoirs after Easter, ending the month at the second lowest level of the year-to-date. Over the four weeks to May 1, numbers averaged 21,800 head, working out at 2.6% below the Q1 average.

- Prime sheep slaughter rebounded above year earlier levels in April at Scottish abattoirs, climbing 16.5% after falling nearly 9% in Q1. If you include the week before Easter so that both Easter weeks are in the annual comparison, the uplift was even stronger, at 20.4% in the five weeks to May 1, due to the market crash in late March 2020.

- At E&W abattoirs, there was a renewed sharp year-on-year decline in lamb throughput in April, with numbers down 12%. After sliding by nearly a fifth in January and 8% in February, the declines had slowed to only 0.5% in March, due to the market crash in late March 2020.

- Prime sheep slaughter trailed 2019/20 levels by 2.3% at Scottish abattoirs between June 2020 and April 2021, totalling 1.137m head. Having been ahead for most of the season, the sharp reduction in April kill at E&W abattoirs saw season-to-date kill drop back by 0.8%, at 10.29m. However, the figures still point to increased cross-border movement for slaughter during the season as a whole, given a higher June 2020 lamb crop in Scotland.

- Lamb carcase weights trailed year earlier levels at Scottish abattoirs for a second straight month and third time in four months in April. At 20.35kg, weights were up 0.3% from March (20.28kg) but 0.9% below the 20.53kg average from April 2020.

- Having contracted by more than 15% in 2020, ewe slaughter at GB abattoirs fell by more more than a quarter in the first third of 2021. However, the pace has slowed each month, from -39% in January to -12% in April.

- Cull ewe marketings at Scottish marts have been averaging around half of their Q1 weekly average and under a third of their autumn 2020 average since the beginning of April, at 3,350 head, with a one-week spike by nearly a quarter around the end of Ramadan.

- After peaking at £108 per head in the first week of April, supported by strong demand for the beginning of Ramadan, ewe values cooled but settled at just below £100 in late April and early May. Increased supply in the second week of May pressured the market, and then a post-Ramadan drop in demand saw prices slip to a ten-week low of £83 in the week to May 19. A price rally has since followed, taking values back to an average of £99 in the week to June 2, with the lack of direction in volumes pointing to demand-side strength.

- In Q1 2021, UK sheepmeat production is estimated by Defra to have fallen by 10.4% on a year earlier. Although a reduction in export volumes by more than a fifth limited the overall reduction in market supplies, import volumes also contracted, down nearly 12%, meaning that overall supply fell in line with production in terms of absolute volume, and by 7.4% in proportionate terms, helping explain historically high farmgate prices.

- At the same time as market supply has been lower, retail demand for lamb has been stronger. Kantar data for the eight weeks to April 18th indicating that GB households spent around 14% more money buying lamb than at the beginning of the pandemic, and 9% more than in the same period of 2019. Spending on leg roasts, which has a high degree of import penetration, fell by 1% from 2019.

- Sheepmeat imports to the UK climbed seasonally in March ahead of Easter but showed a more significant year-on-year decline of 19% following slight reductions in the first two months. Declines relative to the five-year average were much steeper, amounting to 31% in Q1 as a whole.

- Beef + Lamb NZ report that while exports to the UK rose by 9% year-on-year in April, this lagged the overall increase of 13% and surge of 44% to the EU, reflecting weak volumes in April 2020. Indeed, the combined volume shipped to the EU and UK was 31% below the five-year average.

- In the first third of the year, the trend of NZ exports rebalancing from Europe to China continued, with wholesale lamb trading at an attractive £8.30/kg in China in early June.

- On the export side, UK sheepmeat sales to the EU continued to recover in March. After rising 9% above January volumes in February, March saw a further uplift of 43%, with these comparing favourably to five-year average changes of -8% and +20%. Meanwhile, having nearly halved in January and been down almost a third in February, export volumes exceeded March 2020 levels by 6.5%. However, this reflected the collapse in export sales in late March 2020 in the early stages of the pandemic, and volumes were still down 21% on their five-year average (-44% in January and -34% in February).

- During Q1 2021, UK sheepmeat exports to non-EU countries rose by nearly a third on 2020 levels, rasing their share to 13.3% of export volumes from 7.9% in Q1 2020.

- The new trading environment has had a major impact on the composition of exports, with lamb carcases surging from a 44% share in early 2020 to account for nearly 66% in early 2021, as the volume traded rose by 17%. By contrast, bone-in cuts fell from 33% of exports to 25%, and boneless cuts from 14% to 3%, with exporters and hauliers cautious about potential delays at the border for mixed loads, especially from multiple sites.

- Ewe carcase trade went from 15.5% of export volumes to only 4%, falling by close to 80% in volume terms year-on-year, with some of this likely to reflect the sharp fall in GB ewe slaughter. Given that a higher share of mutton production was exported than lamb pre-EU exit, this sharp contraction may help explain the relative weakness of farmgate ewe prices in early 2021; though this relative weakness now seems to have disappeared.

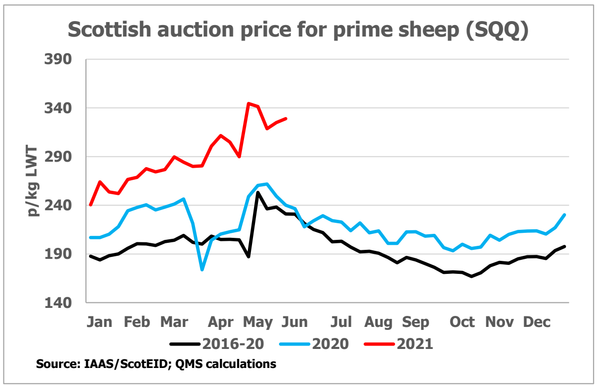
- In France, farmgate prices have cooled seasonally, averaging around 2% lower in the final week of May than in late April. While 4.5% below their pre-Easter peak, heavy lambs are still valued around 5% dearer than in February. The year-on-year increase softened slightly in May to end the month at 12.6%. Heavy lambs were equivalent to 630p/kg in late May.

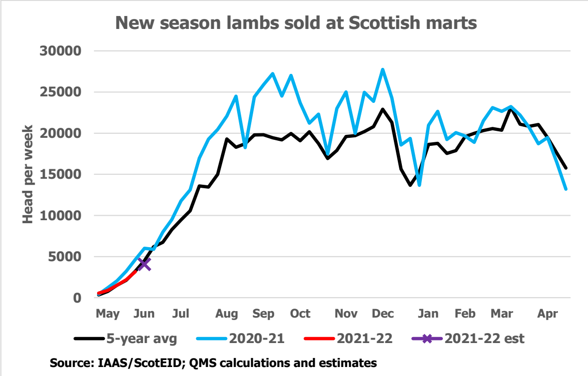
- Wholesale carcase prices at Rungis market in Paris for imported R grades have been showing more fluctuation than local farmgate prices, with spikes at the peak procurement periods for the beginning and end of Ramadan. The May high was slightly lower than in April, at €8.70/kg compared to €8.90/kg, but prices ended May slightly higher than they had ended April, at €8.10/kg, converting to £7.03/kg.

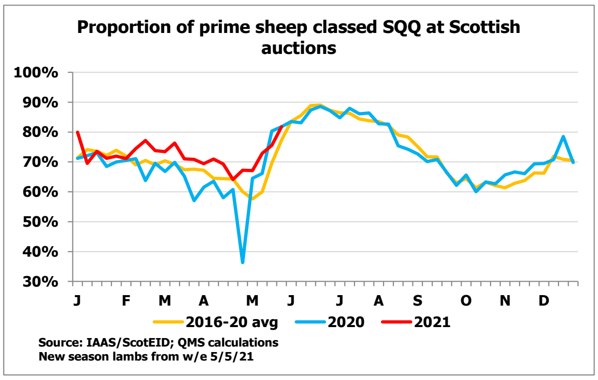
- Currency movements (a stronger sterling on the month and year) mean that €8.15/kg would have been worth a slightly higher £7.08/kg in late April 2021 and £7.30/kg in late May 2020.

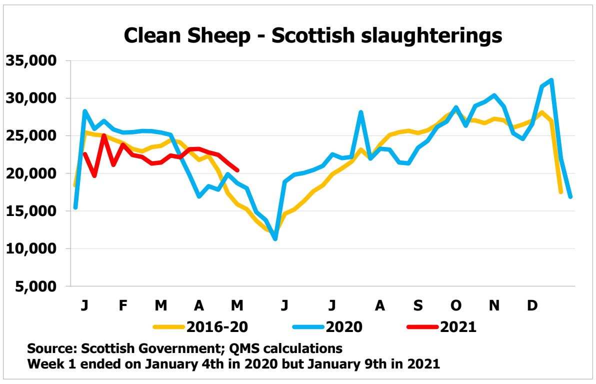
- In the final week of May, French wholesale prices averaged only 6% higher than GB deadweight lamb prices, indicating limited opportunity for exporters to make a margin. While this gap had peaked at around 11-12% at either side of Ramadan, through much of February and March, the gap had averaged only 1%.

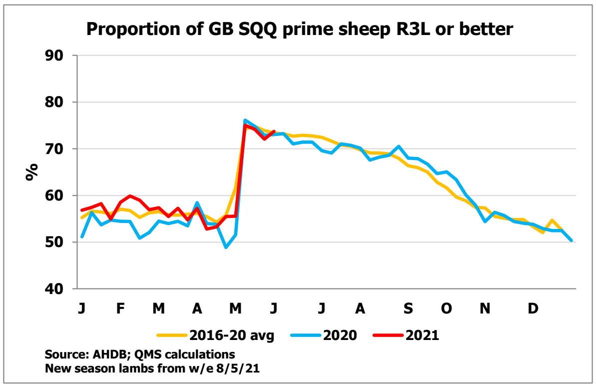
Sheep Charts

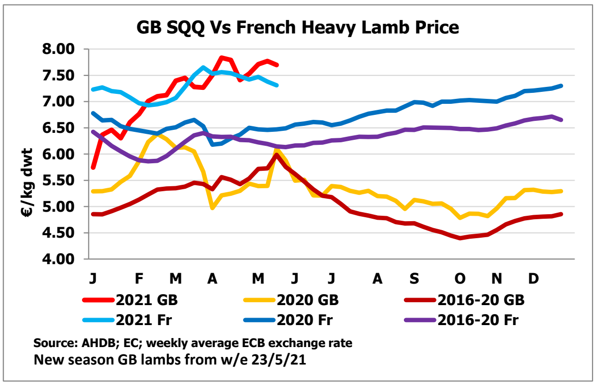


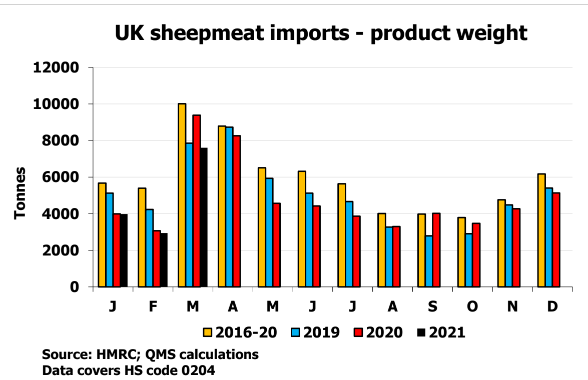


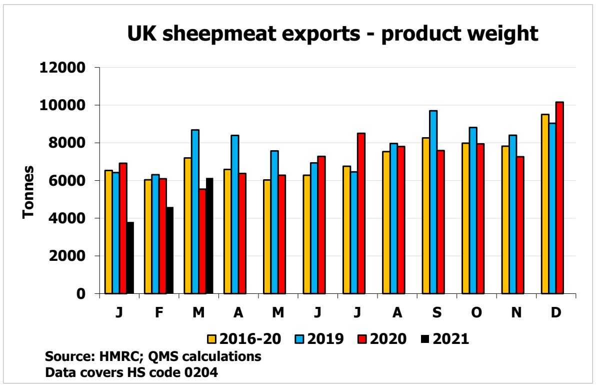












Pigs Update

- The recovery in the prime pig market has continued to gather pace into mid-May. In the four weeks to May 15, the GB Standard Pig Price (SPP) rose by 4.6%, compared to a lift of 3.1% in the four weeks prior to that, and 0.8% in the first four weeks of the recovery, which began in the final week of February.
- By the week ending May 15, the GB SPP had risen 8.7% above its late February low, compared to an increase in the 2016-20 average of around 3% over the same period.
- Having peaked at 14.9% in February, the year-on-year decline in the SPP had more than halved by the end of May. Meanwhile prices have gone from 2.2% behind their five-year average in the third week of February to push ahead by 4% in the final week of May.
- The winter backlog of pigs had been reflected by a reduced share of carcases within the 70-104.9kg band at price reporting abattoirs. In the first two months of 2021, this had fallen to around 92%, but it quickly recovered to around 94.5% in mid-March, holding around this level since, except for a brief lift above 95% in late April and early May.
- In addition, the year-on-year carcase weight uplift softened from around 5% in the opening two months to roughly 4% in March, 2.5% in April and 2% in May. Weights in the SPP sample have fallen from an average of 90.3kg in late February to 86.5kg in the second half of May; last year they only fell from 85.8kg to 84.9kg over the same period.
- It should be noted that heavier weights had helped support carcase value over the winter, holding it around 4-5% above the five-year average and limiting its year-on-year decline to 10%. Falling carcase weights through the spring have therefore softened the rise in carcase value. Indeed, carcase value continued to fall until the third week of March and, by late May, was 5.6% higher than in the third week of February. Closing May at £132.10, it was 7.4% above its five-year average, with the year-on-year decline slowing to 5.3%.
- 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. Slaughter numbers have, however, been volatile over the winter and into spring.
- At E&W abattoirs, numerous outages in late 2020 and early 2021 left slaughter numbers trailing year earlier levels by 5.3% between October 2020 and January 2021. However, three consecutive months of expansion resulted in an 8.2% lift over 2020 levels between February and April, more than offsetting the previous declines, with throughput up 0.3% over the seven-month period.
- The weekly kill at price reporting GB abattoirs peaked through March to work through the backlog before slowing seasonally. In the four weeks to May 15, numbers averaged only 1.3% higher than in the first six full processing weeks of the year, before picking up slightly in the second half of the month.
- At Scottish abattoirs, the prime pig kill rebounded sharply in the second half of February and the first three weeks of March, averaging nearly 7,600 head per week, well above the 2020 average of 6,800 and up 9% on the same period of 2020. However, numbers then slipped back, averaging 6,650 head for five weeks, and then dropped below 5,800 head in late April. Over these six weeks, numbers fell marginally behind year earlier levels.

- In the first third of 2021, slaughter trailed year earlier levels by 9.7% at Scottish abattoirs despite a sharp increase in fattening pigs on Scottish farms reported in the December agricultural survey, with abattoir outages in the early part of the year leading to increased cross-border movement for slaughter.
- The low level of slaughter reported in the final week of April is likely to reflect reports of pigs being diverted away from Brechin abattoir to sites in England which have retained their approval to export pork to China.
- Sow slaughter was hit hard by the operational challenges at Scottish abattoirs in the first quarter, with numbers down 75% year-on-year. However, throughput moved back above 2020 levels in the week to March 27, and exceeded the 2020 weekly average in four of the six weeks up to the end of April, exceeding year earlier levels by 56%.
- At E&W abattoirs, sow slaughter followed a similar pattern to the prime pig kill in late 2020 and early 2021. However, there was divergence in April as numbers fell 15% on the year; after factoring in the Scottish rebound, across GB April slaughter still fell 11%.
- Over the winter, increased carcase weights helped support UK pigmeat production, meaning that output actually rose marginally year-on-year in the October 2020 to January 2021 period. It then surged 10% above year earlier levels between February and April.
- UK pork imports fell sharply in early 2021 despite EU pigmeat being very competitively priced, contracting by 30% on a year earlier. However, the position went from being down over 40% in January to around 20% lower in March, with a recovery of 40% between January and March being well above the five-year average uplift of around 7%. The trend was similar for bacon and hams, with trade down a fifth in Q1, but showing signs of recovery through the period.
- UK pork exports also declined in Q1, down 17.5% on a year earlier. However, after more than halving in January, the gap had eased to 7% in February and then volumes rose by 6% in March, supported by expansion in non-EU markets.
- With domestic production rising and exports falling, UK import requirements are likely to have reduced in early 2021, especially after factoring in limited catering sector activity. However, the scale of the reduction in imports more than offset the rise in supply from higher production and reduced exports, lowering overall pigmeat supply.
- On the demand side, Kantar data pointed to continued pork retail sales growth in GB in the four weeks to mid-March and mid-April (1.6% in spend over the eight weeks; 4.6% in volume), despite the strong 2020 base to compare against. This coupled with the inferred net reduction in supply is likely to have supported the market recovery.
- Although import volumes fell sharply, lower import prices 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.
- The EU market began to recover in February and surged for five weeks from the third week of February, resulting in an increase of around a fifth between late January and late March. Meanwhile, EU prices recovered to within 5% of the GB SPP. However, trade data indicates that although import prices showed a small recovery of around 4% between February and March, they remained well behind year earlier levels (-14%).

- Between mid-March and mid-May, EU pig prices showed little overall change, fluctuating around the €1.55/kg (£1.35/kg) mark, leading to a reopening of the GB premium, reaching 11% in the second week of May. However, EU prices then jumped by 6% in the second half of May, climbing to €1.65/kg (142.5p/kg), narrowing the GB premium to 7%. German prices have been forecast to increase slightly further in the second week of June.

- A closer look at the export statistics highlights the divergence in performance between EU and non-EU markets. Exports to the EU fell by 60% year-on-year in Q1 whereas sales to non-EU countries jumped by 22%, raising their share of exports from 51.6% to 76.5%. While sales to the EU did show significant improvement in March, more than doubling from February, they trailed year earlier levels by 36% and accounted for only 27.5% of exports.

- Exports to China/Hong Kong have been the main driver of increased non-EU trade in recent years, with its share of UK export volumes climbing from under a quarter in 2016-18 up to 36% in 2019, then 49% in 2020, and 57% in Q1 2021. This trade was also hit by processing sector outages in January, down 37% year-on-year, but year-on-year increases of 40% in February and 18% in March ensured the Q1 total exceeded 2020 by 6%.

- Over 97% of the volume exported to China/Hong Kong in early 2021 was frozen pork, with 70% being frozen boneless cuts and 25% bone-in. By contrast, 87% of exports to the EU were fresh pork, with shares of 54% for carcases and 25% for boneless cuts. Average export prices for frozen cuts were 25% higher to China/Hong Kong than the EU.

- In China, wholesale pork prices have fallen over 50% between late January and early June. Local analysts pointed to a surge in slaughter during the spring as farmers looked to insure themselves against the renewed risk of African Swine Fever. However, futures markets are signalling only a muted farmgate price recovery in the autumn, suggesting a more sustainable rise in production is being priced in. Imports have also remained high, pressuring the market; though the relative value of pork remains elevated, at around 34-35% of beef and lamb wholesale values, up from closer to 30% in early 2019.

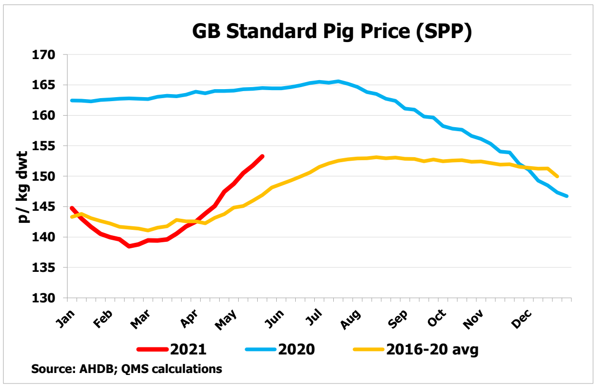
- In early June, Chinese wholesale pork traded around 36% cheaper than last year and, although still 17% above the 2016-18 average for the week, had been valued higher in June 2016 – a previous time of short supply and surging imports. The declines have taken wholesale prices from the equivalent of £5.30/kg in January to £2.75/kg in early June.

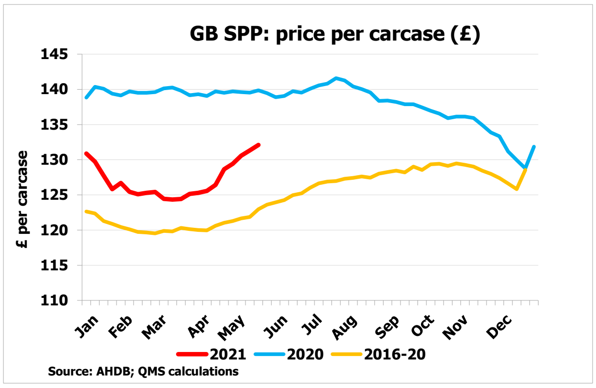
- A spike in feed prices over the winter added to the squeeze on producer margins from lower pig prices and delayed slaughter. Defra's monthly straights price update for April shows that the upwards trend in feed wheat and barley came to a halt, while soyameal fell for a third month and to its cheapest since September 2020. Compared to April 2020, wheat was 30% more expensive and barley by 24%, but soyameal inflation slowed to 7%.

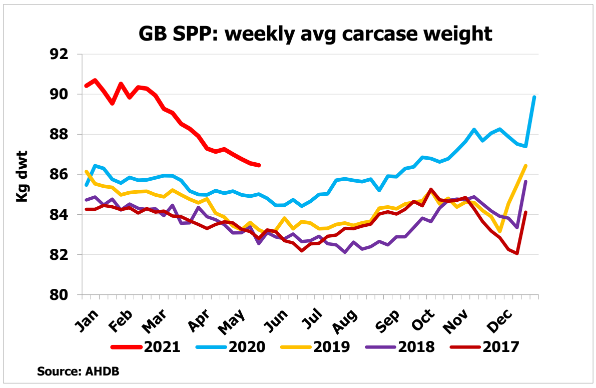
- Feed costs are estimated to have risen again in May and into early-June, with the implications of dry weather in North America on grain crop prospects more than offsetting more favourable growing conditions in Europe. For barley, the reopening of bars is likely to have given a demand-side boost, and it is now around 50% dearer than last year.

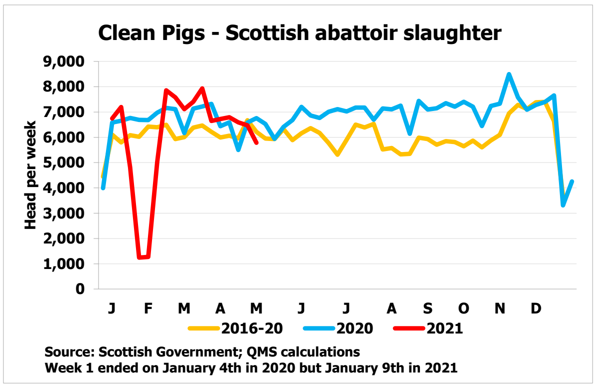
- While soyameal remains cheaper than at the winter peak, the global market continues to be underpinned by strong Chinese import volumes, linked to recovering pig production. Year-on-year increases have picked up towards 20%, given that prices had fallen into June last year, holding at an annual low for the summer.

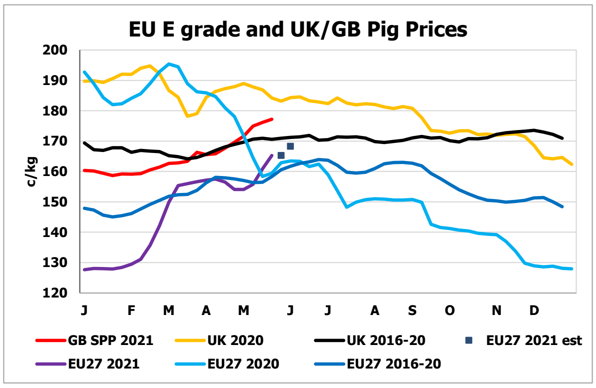
Pig Charts

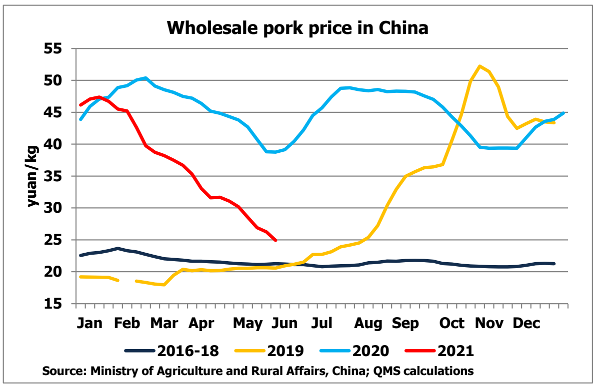

GB Standard Pig Price (SPP)
p/ kg dwt
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2021
2020
2016-20 avg
Source: AHDB; QMS calculations

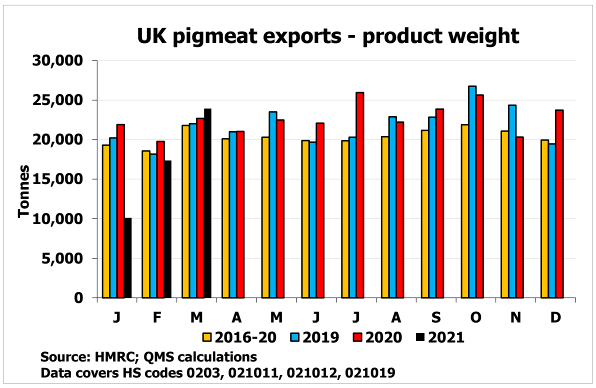

GB SPP: price per carcase (£)
£ per carcase
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2021
2020
2016-20
Source: AHDB; QMS calculations

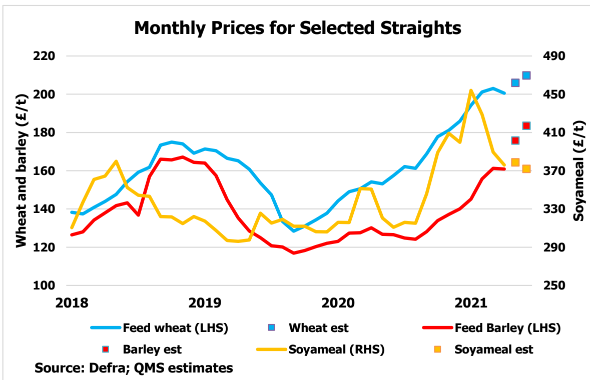

GB SPP: weekly avg carcase weight
Kg dwt
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2021
2020
2019
2018
2017
Source: AHDB


Clean Pigs - Scottish abattoir slaughter
Head per week
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
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
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
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 Prices for Selected Straights
Wheat and barley (£/t)
Soyameal (£/t)
2018 2019 2020 2021
Feed wheat (LHS)
Wheat est
Feed Barley (LHS)
Barley est
Soyameal (RHS)
Soyameal est
Source: Defra; QMS estimates

Business Environment

Economic Activity:

Purchasing Managers Index (PMI) scores for April highlighted the strongest level of economic optimism for many years as UK businesses and households with the prevailing view becoming one of a sustainable economic recovery. In services, the score improved by around five points on the month to 61, placing it even further above the 50 index of no change, and its strongest since late 2013. To meet the expansion in demand, firms added staff, but labour shortages were a limiting factor. Meanwhile, the manufacturing expansion gathered pace, rising around two points to 61, with export activity at large companies picking up; though remaining weak compared to domestic sales. Construction activity held firm at just under 62, supported by strong housing demand, premises upgrades ahead of reopening, and infrastructure projects.

Firms highlighted supply chain challenges and increased wage, freight and materials costs, and the strength of domestic demand allowed some pass-through to consumer prices.

Provisional results for May point to a further uplift in activity as the reopening progressed, with manufacturing climbing five points and services another point. As a consequence, firms expanded workforces and further input cost inflation was reflected in output prices.

Scotland's composite PMI indicator showed a slightly stronger expansion in April and there was a net increase in employment for the first time in 15 months. However, services continued to prove much weaker than manufacturing, with the increase in demand not strong enough to prevent a slight reduction in staffing levels. Having narrowed sharply to around two points in March, Scotland's deficit to the UK PMI score widened to 5.3, returning it towards its average of 5.7 points since March 2020.

In the Scottish Government's latest business survey results for May 3-16, there was a surge in activity in the accommodation and food services sector, with the share of firms trading jumping to nearly three-quarters compared to an average of 36% between Christmas and the beginning of May. There were also falls of around 20 percentage points in the share of firms in this sector with staff on furlough and the proportion of staff furloughed, to around 72% and 40% respectively. While the proportion furloughed fell back close to its summer and autumn lows, it remained well above the 11% rate across all sectors.

Consumer Confidence and Spending

GfK's monthly consumer confidence survey showed further improvement in May. At -9, the score rose by 6 points on the month, signalled the least pessimism since March 2020, and was less negative than throughout 2019 (-10 to -14). This is likely to reflect the success of the UK vaccination programme signalling a more sustainable reopening of the economy.

On balance, people now expect their finances to improve in the coming year (+10) and forward-looking views on general economic conditions surged from -11 to +4. However, on average, people are still delaying large purchases (-7) and building savings (+22).

According to the ONS, UK retail sales turnover rose by around 9% between March and April, with the reopening of non-essential retail helping boost sales in non-food stores by a quarter (driven by a 72% in spend at clothing, footwear and textiles stores). However, online spending did also still edge higher by around 1%. Although spending in food stores dipped by 0.4% from March, it was still up 3% on the year and 10% on April 2019; sales in non-food stores were 4% above 2019 levels. After adjusting for price changes, fuel sales were still 13% below 2019 levels, highlighting the continued reduction in travel.

Exchange Rates:

	w/e 6/6/21	May 2021			w/e 7/6/20	May 2020		
		Low	**High**	**Avg**		**Low**	**High**	**Avg**
€:£	86.0p	85.8	86.8	86.3	89.4p	87.1	90.1	88.7
$:£	70.6p	70.4	72.0	71.0	79.4p	79.7	82.5	81.3
NZD:£	50.9p	50.6	52.0	51.3	50.9p	48.4	50.5	49.5

Having risen by around 6% against the euro through the first quarter of 2021, sterling gave back around a third of this in April. May then saw around half of April's weakening offset, leaving a euro worth around 86p moving into June.

Sterling continues to be underpinned by the success of the UK vaccination programme and economic optimism, though concerns around the new delta variant may be limiting further increases while the EU vaccination programme has also been ramping up, boosting economic prospects on the continent.

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. Like against the euro, sterling showed some relative recovery against the NZD in the first quarter, before easing a little in April and edging higher again in May.

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 and May. 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, June 2021