MARKET REPORT - September 2020

Cattle Update

- After trending slowly higher through August and reaching a year-to-date peak of 389.4p/kg in the week to September 5th, the average prime cattle price at reporting Scottish abattoirs cooled, slipping to 382.6p/kg three weeks later.
- With prices historically tending to prove more stable in September, premia over historical averages have dipped below their peak. In late September, prices were around 3% above the three and five-year average and 13.7% above year earlier levels, down from around 5% and 14.6% as the month began.
- R4L steers made 388.3p/kg in the week ending September 26, which was 1.8% below their late August peak of 395.4p/kg but still 12.2% above year earlier levels (346.2p/kg) and 13.7% above their late-April low (341.5p/kg). Nevetheless, prices trailed their all-time peak of 423.2p/kg in July 2013 by 8.2%.
- In England & Wales (E&W), the average prime cattle price has fallen for five straight weeks, following 16 increases in 17 weeks. At 362.1p/kg in the week to September 26, it was 1.6% below its peak in the third week of August and up 14% on the year. R4L steers traded at 375.4p/kg in late-September, 1.5% below their August peak but still 12.9% higher than last year.
- Scottish prices averaged 5.6% above E&W levels in late-September, down from 6.2-6.4% earlier in the month and an average of 5.9% since the beginning of April. Scottish R4L steers have spent much of the period since mid-July averaging 12-14p (3.2-3.8%) higher than those in E&W, but the gap did widen to 15-16p (3.9-4.2%) for three weeks to September 12.
- UK slaughter statistics pointed to significant year-on-year growth in weekly prime cattle kill through June (+7.4%) and July (+11.2%), but this slowed to less than 1% in August. In the year-to-date, numbers were 1.9% above 2019 in the first eight months, with a 5% lift in heifers offsetting a slight decline in males.
- At Scottish abattoirs, weekly prime cattle slaughter dipped by 9.3% between July and August, having risen 2.9% a year earlier. Slaughter therefore fell 0.5% behind 2019. This followed successive year-on-year increases of 1.9% in May, 1.1% in June and 12.9% in July.
- In the first eight months, Scotland's prime kill was 2.5% higher than twelve months before, with steers and heifers up by a respective 1.9% and 4.4% but young bulls down 1.8% (males up 1.3%). This was despite cattle supply data signalling that supplies should tighten in 2020.
- Carcase weights have been significantly lighter at Scottish abattoirs in 2020, running 1.5% to 2.3% lower than last year between May and August. Some of this is likely to reflect earlier marketing.
- In September, prime cattle slaughter fell sharply at price reporting abattoirs in Scotland, suggesting that the long-anticipated supply tightening has arrived. Over the four weeks to September 26, numbers averaged 7.5% lower than in the previous four weeks and 13% below the year-to-date weekly average. On a five-year average basis,

numbers have usually been slightly above the year-to-date average at this time of year. Numbers were down 18% from last year, when there had been an early upturn.

- At E&W price reporting abattoirs, prime cattle numbers have trended higher through September but have averaged around 3.5% below the year-to-date average and 6% lower than in 2019.

- At Scottish abattoirs, the second half of August and first week of September saw -U4L steer prices trade slightly higher than for R4L grades. However, the normal pattern quickly returned, with R4L grades making an average of 4p/kg more in the three weeks to September 26. -U4L heifers continued to make 2-6p more per kilo than R4L heifers.

- After falling in 2019, cow processing continued to slide at Scottish abattoirs until mid-May before sharply reversing. Significant growth of 12.5% in June was followed by increases of over a third in July and August, with figures from price reporting abattoirs indicating that this continued into September.

- Cull cow prices picked up slightly though August, with O+3 grades peaking at 303.6p/kg in the final week of the month, around 3% higher than mid-June to late July levels. With weekly slaughter numbers trending higher, the traditional seasonal price downturn has followed, with prices sliding by more than 7% from their previous peak, to 281.2p/kg in the week to September 26. After peaking at 14-16% in August, year-on-year price increases have dropped back, sitting at 9% in late September.

- After contracting by around 15% year-on-year in April and May, HMRC data indicates that UK beef import volumes had returned to within a fraction of year earlier levels in June. However, they then trailed by 13% again in July. In a continuing longer-term trend, but also likely down to reduced imports for use in the foodservice sector, non-EU suppliers accounted for only 2% of July imports, down from around 6% in 2019.

- UK beef exports held well-below 2019 levels for a fourth month in July despite rising domestic production. Having fallen by 13.4% in the second quarter, they were down 19% in July. However, reflecting considerable growth in 2019, they held above the five-year average. Exports to non-EU countries fell by more than a quarter having risen by nearly 50% in the first half. They accounted for 21.4% of shipments.

- Kantar data shows that GB retail beef sales were 15% higher than a year earlier in the 12 weeks to September 6th. However, this was a slowdown compared to the 20-25% spending growth seen in the spring and earlier in the summer. Indeed, spending growth in the four weeks to September 6th was 8%, having already slowed below 15% in the four weeks to August 9th from above 20% in the periods to mid-June and mid-July. This is likely to reflect increased levels of eating out through July and August.

- Having been an above-average contributor to GB retail spending growth between mid-April and mid-July, the amount spent on steaks has since been rising at a slightly below average rate. Mince has been lagging significantly since Easter and spending was only a fraction above year earlier levels in the four weeks to early September. Roasts continued to underpin overall spending growth throughout the period.

- In the Irish Republic, prime cattle slaughter has been relatively stable at 25-28,000 head per week since the second week of June, well above mid-April to mid-May lows of around 20,000 head. Cow processing peaked at 9,500 head in July and has fallen sharply since, averaging 6,600 through August and September. Slaughter was disrupted significantly in August and September 2019 by producer protests, before averaging around 30,000 head in the final quarter.

- Irish prime cattle prices firmed by around 4% in July before giving up most of these gains in August. Through September, R3 steer prices have edged lower, trading at slightly above June levels in the week to September 27th, at €3.62/kg. This is 6.5% above their spring low and 4% higher than last year.

- Irish R3 steers were equivalent to 332p/kg in week to September 27, and this was 7.6% higher than in the same week last year, when sterling had been stronger.

- Having fallen below its year-to-date average in July, the Scottish premium over Ireland for R3 steers widened to a peak of 21% at the beginning of September, before slipping back to 17% in mid-to-late September. This was still above this year's 14% average and compares to 11-12% a year earlier.

- EU average prices for R3 male prime cattle have been relatively stable through August and September, generally lagging 2019 levels by 1-2% but closing the gap to the UK average to around 14% in September from 17% in August. Cow prices rose 10% between May and August, but seasonal pressure has seen them dip 2% in September, holding 2% behind 2019 levels but narrowing the gap with UK prices to 6%.

- In the USA, slaughter numbers were similar to 2019 levels in September, resulting in a continuing backlog of cattle on feedlots, added to by early sales to feedlots due to drought. With year-to-date kill still down more than 4%, supplies are likely to weigh on the market in the final quarter. Despite the backlog, prime steer prices have risen slightly in the second half of September, when in recent years prices have taken until October to lift, with rising wholesale beef prices signalling firm demand.

- In the week to September 27th, US prime steers were 7% above their spring and summer low points, and were similar to 2019 levels throughout the month. Steers were equivalent to 284.5p/kg.

- US by-product values have continued their slow recovery through September, with the value of the fifth quarter closing its year-on-year deficit to 10% from around 15% in late August. Continuing weakness reflects soft global leather and energy markets.

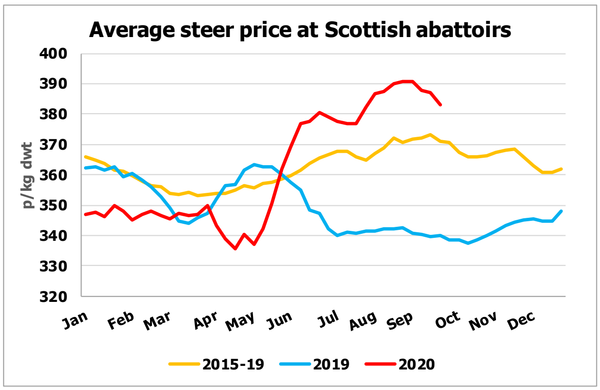
- With the main autumn selling period approaching, store cattle volumes took a notable uplift at Scottish auctions in September, with the week to September 26th seeing the second highest number of steers aged 6-18-months traded of the year-to-date, with weekly average numbers more than double those seen in August.

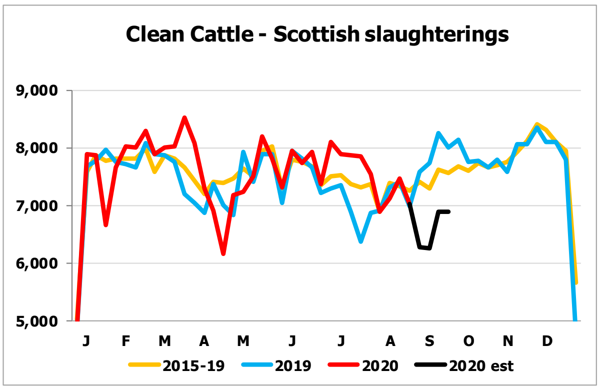
- With 6-12-month steers remaining in more limited supply, prices have been volatile from week-to-week, averaging £858 in the three weeks to September 26, coming in slightly below the average prices from July and August. However, prices for yearling steers have trended higher, averaging £1,020-50 throughout the month, reaching a year-to-date peak.

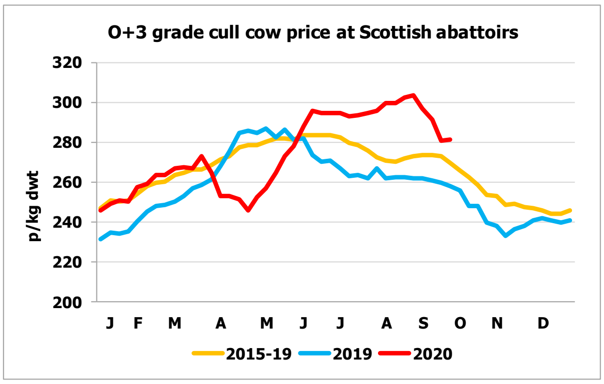
- Having averaged around 3% below 2019 levels in the spring, the store cattle market has been running well above year earlier levels since mid-May, spending much of the summer 5-15% higher, and around 10-20% higher in September.

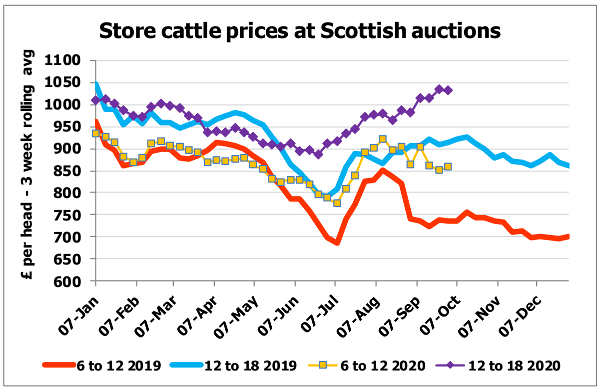
- At £874 in August the average 6-12-month store steer was 59.9% of the finished steer carcase price at Scottish abattoirs (£1,460), while 12-18 month steers averaged 67.3% of this, clearing at £982.

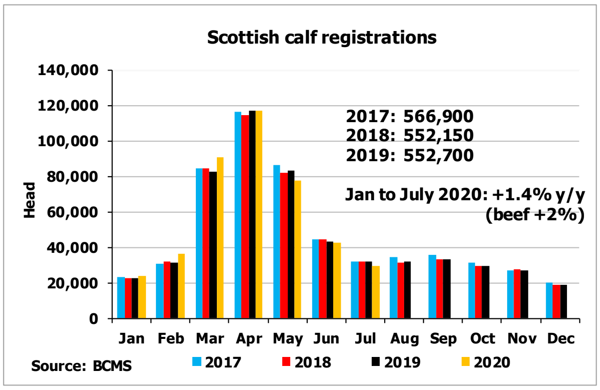
Cattle Charts

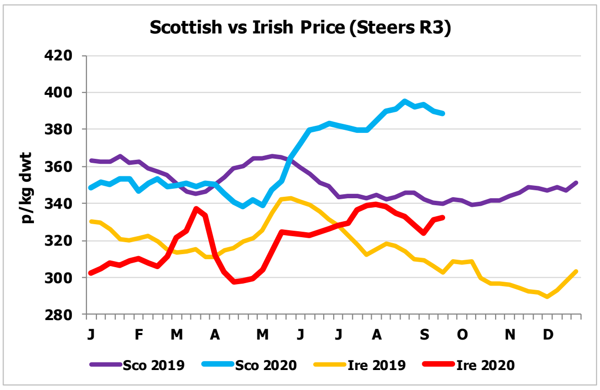


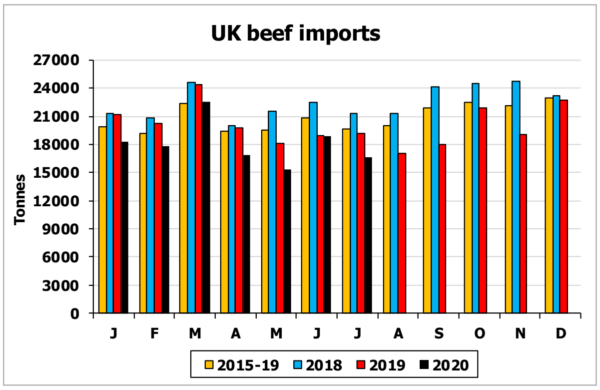


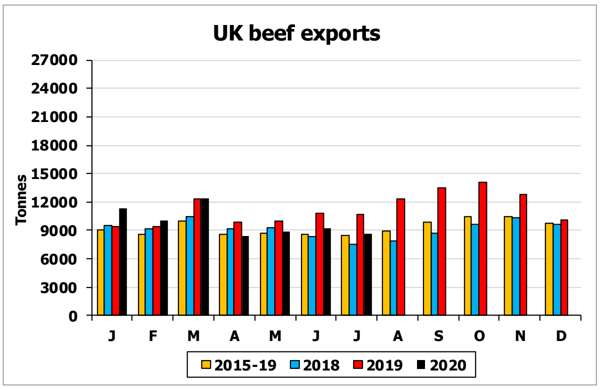












Sheep Update

- Summer 2020 was characterised by an exceptionally strong prime lamb market, and it has held firm into the autumn. Year-on-year farmgate price increases of 15-25% were seen throughout July and August, climbing above 30% for much of September, when the market had been at its low in 2019. Prices have been trading 15-30% above their five-year average since late June.
- The final week of September did see prices slide below £2/kg, ranging from 193-199p/kg but, at 196.6p/kg, they still averaged 40p (25.6%) higher than a year earlier.
- Moving into October and the daily average price slipped to its season-to-date low of 190.5p/kg. Given that prices had begun to pick up from their annual lows in 2019, the year-on-year price increase slipped back to 16%.
- This year's strong market has come despite a quicker arrival of new season lambs onto the market across GB, although availability has been relatively better in Scotland.
- July saw weekly prime sheep auction volumes across GB rise by a third from June, underpinned by the peak procurement period for Eid al-Adha in the second half of July. Numbers decreased after the festival, averaging 17% lower in August, before returning to growth in September, up 13% from August, but remaining below the July peak.
- Compared to a year earlier, GB prime sheep auction volumes were up 17.5% in June, 47% in July, down 1% in August and then 25% higher again in September, with an overall lift of 19.5% in the season-to-date.
- At Scottish sales, marketings continued to increase through August, averaging 42% higher than in July and 25% higher than last year, before climbing another 19% in September, running 48% higher than last year. Between June and September, total prime sheep sales were up more than a third on last year.
- Relatively stronger supply at Scottish sales may have been a contributing factor behind lower prices at Scottish sales than in England & Wales for eight consecutive weeks up to late August. However, in September, prices were marginally higher north of the border in two weeks and slightly lower in the other two weeks.
- UK slaughter statistics published by Defra indicate a year-on-year increase in lamb slaughter of 8.3% over the summer months of June to August. At Scottish abattoirs, the increase was slightly slower at 6.6%. GB auction marketings had shown a 17.7% increase over the same period, with Scottish sales up 28%.
- Partly as a result of Eid al-Adha moving forward to July this year, weekly UK slaughter climbed by 26.5% between June and July before dipping 4.2% in August, compared to consecutive monthly increases of 16.3% and 14.8% in 2019. As a result numbers exceeded 2019 levels by 18.5% in July but contracted by 1.1% in August.
- After climbing 17% between June and July, weekly slaughter at Scottish abattoirs then fell 3.1% in August. This saw slaughter go from 11.7% above year earlier levels in July to be down 14.3% in August.
- Procurement for Eid al-Adha peaked in the final week of July at Scottish abattoirs,with slaughter surging to 28,100 head, 21% higher than in any other week between June and August. In 2018, slaughter numbers had shown limited increase in the run up to Eid, taking until the week of the festival to lift and rising further thereafter.

- Carcase weights at Scottish abattoirs continued to trail 2019 levels in August. They barely increased from July, holding just under 20kg, and were down 1% on 2019 after reductions of 0.7% in July and 1.1% in June. This fits with auction market data showing a higher proportion of lambs weighing within the 25.5-45.5kg SQQ weight range this season. Although easing seasonally in September, it has remained elevated by 5-10 percentage points from 2019, suggesting a continuing reduction in weights.

- Cull ewe auction volumes began to trend higher at Scottish sales at the end of June. A pre-Eid spike saw volumes peak at nearly 11,300 head in the third week of July and, after a fortnight of lower marketings, they have since picked up again. Weekly sales averaged 8,000 head through July, 8,750 in August, and then jumped to 11,200 in September. In September they exceeded 2019 levels by 15%, slowing from increases of 18% in July and 22% in August.

- At UK abattoirs, weekly cull ewe slaughter numbers have been volatile in 2020, declining by 14% in the first eight months of 2020 but falling only 0.5% in June and rising 3.6% in July before falling by more than 30% in August. While this rise in July and sharp fall in August are likely to have been influenced by the timing of Eid al-Adha, volumes were 11% lower than last year over the summer months.

- Cull ewe prices held firm through the summer and into autumn at Scottish sales despite the apparent surge in marketings, but this may reflect the reduction in UK slaughter numbers indicated by Defra. After averaging £67 through July and the first half of August, prices cooled slightly to average £62 in the seven weeks to the end of September. There were year-on-year price increases of 5-15% through July and August, climbing to 20-25% for most of September, but ending the month at 35%.

- Lamb retail sales figures from Kantar Worldpanel show strong growth in the 12 weeks to September 6th, with GB households spending 24% more money on lamb than a year earlier, underpinned by the switch to eating at home. This meant that an increased share of households bought lamb and the average buyer bought it more often. Average retail prices were 5.7% higher than a year earlier, suggesting a relatively limited pass-thorugh of higher farmgate prices.

- The rate of growth in retail sales slowed sharply in the four weeks to September 6th, easing to 12% compared to 23% in the previous period and a peak of 38% in the four weeks to mid-July, likely reflecting increased opportunities and incentives to dine out.

- UK sheepmeat imports continued to trend seasonally lower in July. After some slight growth over the Easter period, they quickly fell back behind year earlier levels, down 19% over May and June and then trailed by 17% in July. July volumes were almost 40% below their five-year average and were the lowest of the century for the month.

- Beef + Lamb New Zealand have forecast a 4.2% decline in the NZ lamb crop this year, pointing to a continuing weakness in import availability over the winter and into the spring.

- UK sheepmeat exports showed continued recovery from their spring low in July, climbing 15% from June, which had in turn risen 14% from May. In July, volumes were the highest of the year so far, reached a six-year high for the month and were 27% above year earlier levels and 30% above the five-year average. Some of this growth is likely to have reflected the earlier timing of Eid al-Adha in late July, but exports were still 3% above August 2019 levels.

- Exports of sheepmeat to France and Germany in July were 10-20% higher than any other month this year, while being 50-60% higher to Belgium and Italy. While sales to France were up 35% on the year, they were 11% below August 2019 levels.

- Farmgate prices across much of the EU have held firm into the autumn, with the average price for heavy lambs up 14% on last year and the light lamb average 9% higher. In France, lamb prices cooled for a fortnight in mid-September before returning to the upwards trend that had begun in July, reaching €7/kg (£6.16/kg), which was 13.5% higher than last year and 38.5% above the GB average.

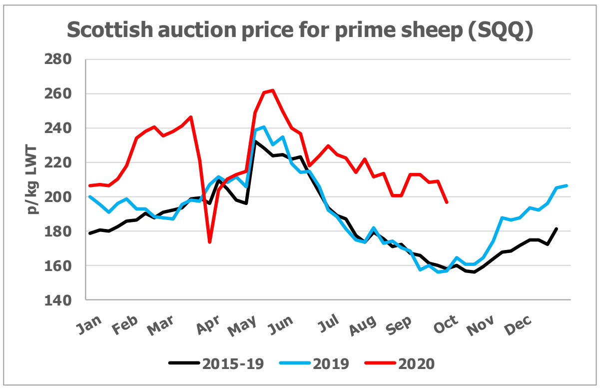
- Wholesale lamb prices at the Rungis market in Paris have seen some downwards pressure in the second half of September after a month of stability. As October began, R grade 16-22kg carcases with medium fat cover traded at €7.50/kg (£6.90/kg) for French origin and €5.80/kg (£5.30/kg) for imports.

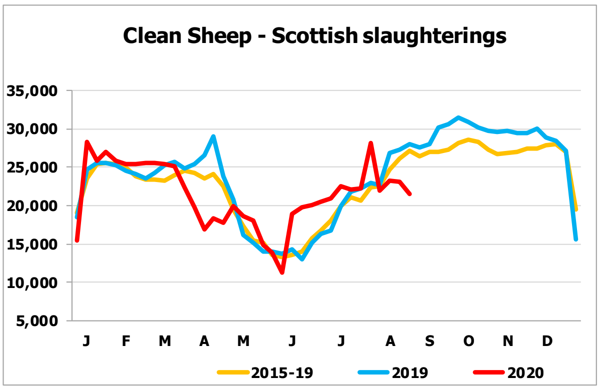
- If importers had to pay an EU tariff of 12.8% + €171.30 per 100kg, a €5.80/kg price for a 20kg carcase would have to fall to around €3.62/kg to still cost the importer €116. This is a reduction of 37.5%.

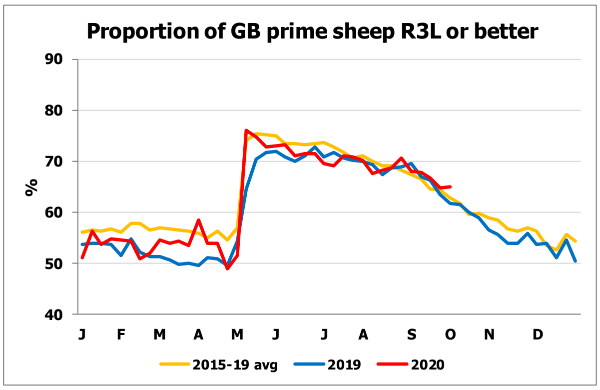
- After a strong start to the store lamb season in August, sales data for September signals continuing confidence amongst buyers. In the four weeks to September 26, just under 180,000 store lambs were traded, compared to nearly 162,000 in the same period of 2019; an increase of 5%. At £59, the average lamb sold for £13.50 (30%) more than a year earlier, with spending on store lambs rising by 36% to just over £10m. In the previous four weeks, the number sold had been 18% higher than last year at just over 154,000 head and the total amount spent had jumped by 41%.

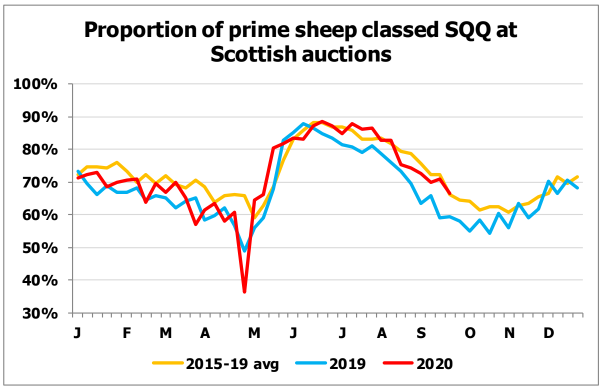
- In the week ending September 26, Blackface lambs sold for £55, up from an average of around £45 through August and early September, and from £50 in the second and third weeks of the month. This has seen prices climb by around 35% from last year, have been running around 20% higher in August. For Suffolk lambs, prices started the season at around £71 in August, before sliding towards £67 in September However, this has still seen them trade 30% more expensive than last year.

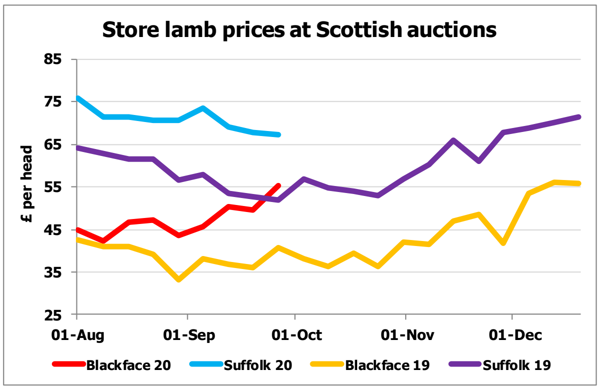
Sheep Charts

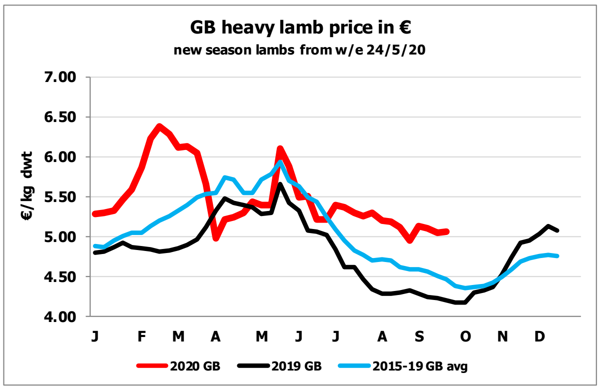


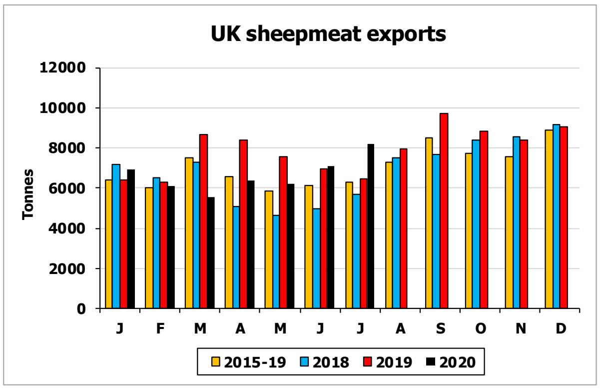


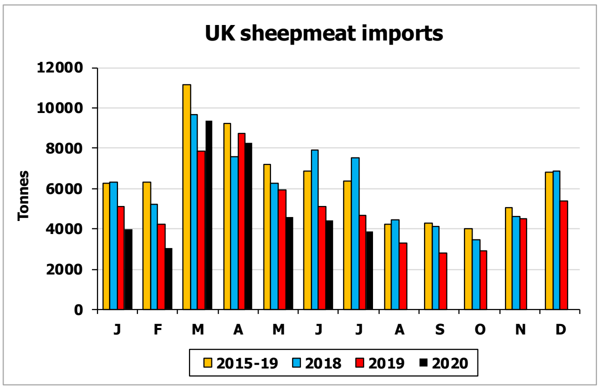












Pigs Update

- Farmgate pig prices have been on a traditional seasonal downturn since mid-July. However, the pace of decline has been quicker than the slow but steady increase seen through the spring, leaving the GB Standard Pig Price (SPP) at its lowest levels since late November 2019.

- Between the beginning of the year and mid-July, prices had climbed 2%, but they then fell by 3.6% over the next ten weeks to average 159.62p/kg in the week to September 26th. Meanwhile, the price for 70-104.9kg carcases slipped 3.4% from its peak to 160.66p/kg in late September.

- With a weaker seasonal upturn than last year in the spring and a steep decline into the autumn, the year-on-year price increase has slowed markedly since peaking at 19% at the beginning of April. In mid-July it had softened to 8.6%, slipping to 3.5% in late September.

- However, rising carcase weights have offset some of the reduction in per kilo prices of late, underpinning overall carcase value. At £137.88, the average carcase was valued 2.6% less than in mid-July but 6.1% higher than in the same week of 2019.

- Carcase weights at reporting abattoirs fell to their year-to-date low of around 84.5kg in June, but by late July they were approaching 86kg, before coming within a small margin of their record high in late September, reaching 86.38kg. While weights had also begun to climb seasonally in September 2019, they had only reached 84.28kg. Some of this increase in weights may reflect export requirements.

- Defra slaughter figures indicate that UK weekly prime pig slaughter was lower in August than it had been in July for the first time since 2014, dipping 8% compared to a 5% average increase over the previous five years. This saw slaughter fall back behind 2019 levels in August, down 5%, after rising 3% in June and 7% in July.

- By the end of August, UK slaughter numbers were running 1.1% higher than in the first eight months of 2019 but AHDB are forecasting a full year lift of 2.4%, indicating the potential for a significant increase in production in the final quarter.

- Data from GB price reporting abattoirs indicates that slaughter numbers increased seasonally in September, exceeding their weekly average over the summer months by around 5-6%, lifting volumes to their highest levels since March.

- At Scottish abattoirs, prime slaughter recovered from a challenging spring to average around 7,000 per week through June and July, around 5% higher than last year. Sow slaughter rose by a quarter year-on-year over the nine weeks, averaging 273. Moving into August, prime slaughter averaged close to 7,200 head and 3.5% higher than last year for the first three weeks, but maintenance work in the final week of the month meant the full month's kill was only 0.8% higher than in 2019. Having been up more than a quarter after three weeks, the sow kill still rose 16%, averaging 283 per week.

- Weaner price reporting has been more variable this summer and autumn. When reported, 7kg weaners have continued to trade at around the £42-£43 per head, equivalent to around 30.5% of the finished carcase value.

- In the 12 weeks to September 6th, Kantar Worldpanel retail sales data points to year-on-year growth in GB household spending on pork of 16.6%. However, after slowing slightly below 20% in the four weeks to August 9th, growth dipped to below 9% in the four weeks to September 9th. This is likely to reflect increased eating out; indeed pork was bought slightly less often than a year earlier. However, the share of households buying pork did remain elevated.

- GB retail sales of products like bacon and sausages continued to out-pace fresh pork in the 12 weeks to early September, growing by around 20% year-on-year; though this was down from highs of around 40%. Spending on cooked meats lagged through the spring and summer, rising by 10-15%, slowing to 8% in the latest 12 weeks.

- HMRC trade data points to a surge in UK pork exports in July, with the volume exported a fifth higher than the monthly average during the first half of the year, 30% above July 2019 levels and almost 50% above the five-year average.

- China/Hong Kong continued to drive UK pork export growth in July. Having risen by 60% year-on-year in the first half, monthly export volumes were more than double year earlier levels in July, and were 32% higher than the average monthly volume in the first half. This market accounted for 52.5% of the total volume exported in July, up from 47.1% in the first half and from 32.8% a year earlier.

- Some of July's growth may have been a knock-on effect of the temporary closure of Germany's largest pig abattoir in late June, leaving Chinese importers looking for alternative suppliers.

- Chinese wholesale prices have fallen back in September, ending the month below 46 yuan/kg (£5.20/kg), compared to an average of 48.3 yuan in late August, with prices at their lowest in nearly three months. Given strong price momentum from August to November 2019, the year-on-year price increase has been slowing rapidly from more than double in July to under one-quarter in the final week of September.

- With the China Day celebrations and mid-autumn festival both falling on October 1 this year, it seems likely that strong levels of imports and the release of frozen pork from cold stores through September have helped ease some of the pressure from a continuing shortage of domestic production.

- EU pig prices had been relatively stable since mid-July, having previously dipped 9% following the temporary abattoir closure in Germany, which reduced competition for pigs in north west Europe. However, the long-feared discovery of ASF in wild boar in eastern Germany led to another market price fall in mid-September. German prices fell 3% in the second week of the month, and then by another 10% in the following week as major pork importing nations blocked German pork. With German pork only able for sale in the EU and significantly cheaper than before, this fed through to reduced prices in some other Member States in the third week of the month, including the Netherlands and Poland. By contrast, prices were stable in France and Spain.

- At the equivalent of £1.30/kg in the week to September 27th, EU grade E carcases traded at a 19.4% discount to the UK average and 22.3% lower than a year earlier.

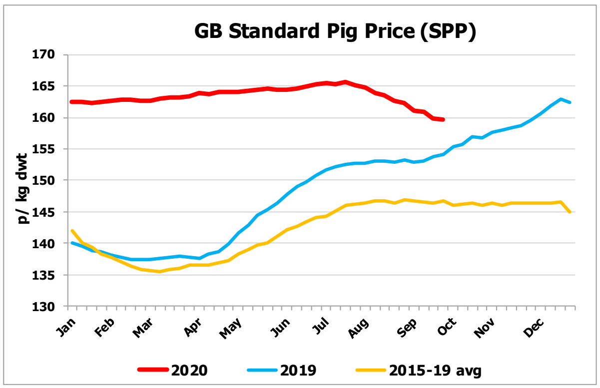
- UK pigmeat imports slipped back to a three-month low in July, having shown some recovery in May and June from their April low point. Import volumes fell by almost a fifth from the same month of 2019 and trailed their five-year average by a quarter, reflecting weak import demand for use in the catering sector. Pork imports were down by 21% on the year and by 24% on their 2015-19 average while bacon & ham volumes were lower by 16% on the year and 25% on 2015-19.

- In the US, pig slaughter numbers have fallen back behind year earlier levels in September and farmgate prices have risen against their seasonal trend, reaching a year-to-date high in the week to September 27th. In late September, prices were more than double their late-June low point and 36% above year earlier levels, at the equivalent of 110p/kg. Wholesale prices of pork have also risen strongly in recent weeks but remain below the highs of May.

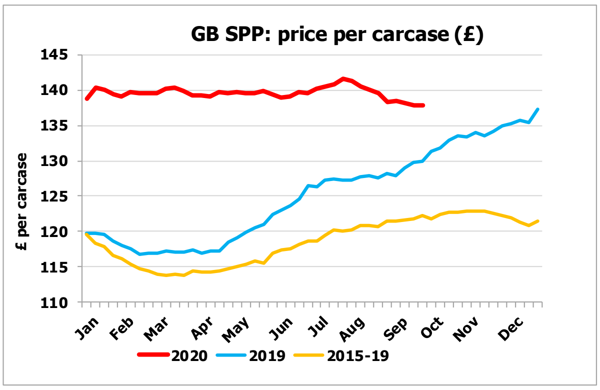
- London wheat futures for have continued to trend higher, reaching a two-year high of £176/t in the third week of September, despite improved propects for global production, with a weaker sterling one factor at play. In North East Scotland, ex farm prices for feed wheat lacked direction between June and August, at £155-60/t, but have been trading above this range in September, reaching £173/t towards the end of the month. After briefing dropping back to £115/t in the second half of August, barley prices have climbed to £126/t. Wheat has been trading around 30-35% dearer than 2019, with barley now around 15-20% dearer.

- After showing signs of uplift in late August, the cost of soyameal has jumped in September, climbing to over £350/t, having fluctuated around the £305-310/t mark between June and mid-August. This upswing has taken it 15% above year earlier levels. In addition to a weakening sterling, the global market has been firming on the back of strong demand from Chinese importers at a time of reduced crop prospects in the Americas. Ex store prices reported by Straights Direct point to an increased premium at Rosyth of around £13/t over Northern English levels in late September.

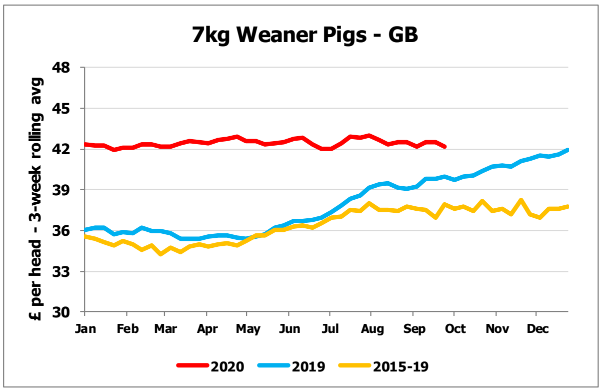
Pig Charts



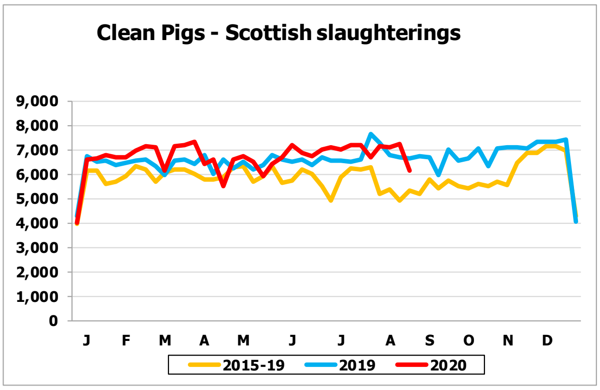
GB Standard Pig Price (SPP)
p/ kg dwt
170
165
160
155
150
145
140
135
130
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2020
2019
2015-19 avg



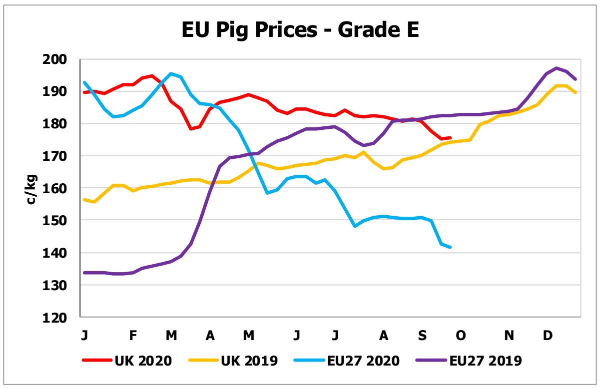
GB SPP: price per carcase (£)
£ per carcase
145
140
135
130
125
120
115
110
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2020
2019
2015-19



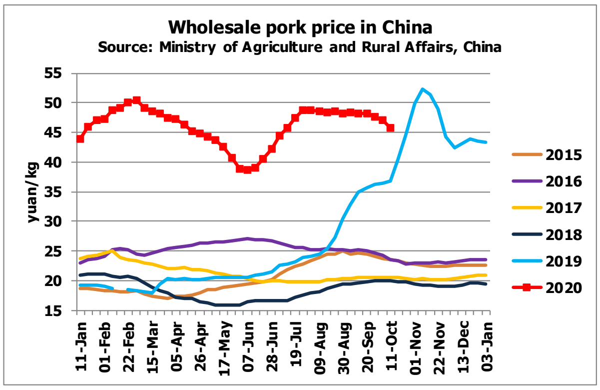
7kg Weaner Pigs - GB
£ per head - 3-week rolling avg
48
45
42
39
36
33
30
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2020
2019
2015-19



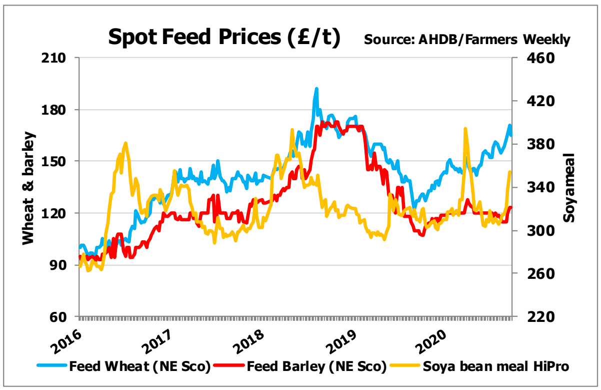
Clean Pigs - Scottish slaughterings
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
J F M A M J J A S O N D
2015-19
2019
2020



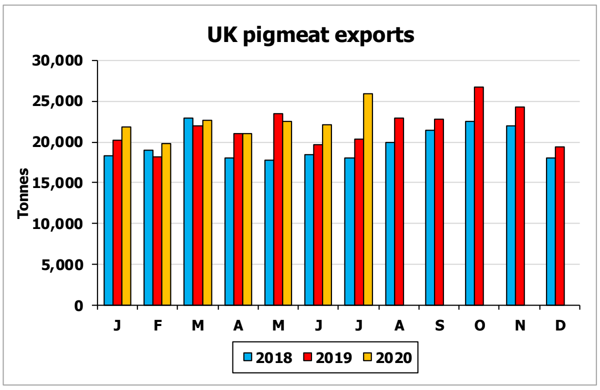
EU Pig Prices - Grade E
c/kg
200
190
180
170
160
150
140
130
120
J F M A M J J A S O N D
UK 2020
UK 2019
EU27 2020
EU27 2019



Wholesale pork price in China
Source: Ministry of Agriculture and Rural Affairs, China
yuan/ kg
55
50
45
40
35
30
25
20
15
11-Jan 01-Feb 22-Feb 15-Mar 05-Apr 26-Apr 17-May 07-Jun 28-Jun 19-Jul 09-Aug 30-Aug 20-Sep 11-Oct 01-Nov 22-Nov 13-Dec 03-Jan
2015
2016
2017
2018
2019
2020



Spot Feed Prices (£/t)
Source: AHDB/Farmers Weekly
Wheat & barley
210
180
150
120
90
60
Soyameal
460
420
380
340
300
260
220
2016 2017 2018 2019 2020
Feed Wheat (NE Sco)
Feed Barley (NE Sco)
Soya bean meal HiPro



UK pigmeat exports
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
2018
2019
2020

Business Environment

Economic Activity:

Purchasing Managers Index (PMI) scores showed further improvement in August, supported by pent-up demand as the economy re-opened. In manufacturing, the index rose to 55.2 from 53.3, while the services index was 2.3 higher at 58.8. Construction's index softened but remained above 50, indicating continued recovery. Nevertheless, since activity for many firms remained well below pre-pandemic levels, particularly in the service sector, redundancies were made. Provisional survey results for September point to further workforce reductions, again more commonly in services. Scotland's composite indicator continued to close the gap to the UK-wide score in August, down from 7.7 points to 3.3, reflecting the later re-opening. At 55.8, activity returned to growth, having been slightly under 50 in July.

From its business survey, the ONS estimates that 84% of businesses were trading in late August and early September, with 11% of their staff on furlough. This compares with 71% at the 13% of businesses where operations were on hold. Meanwhile, 11% of firms reported a moderate or severe risk of insolvency, with this well above average in accommodation and food services, at 24%, with 4.5% in the severe category.

Consumer Confidence and Spending

GfK NOP reported a two-point improvement in their consumer confidence index in September, to -25, taking it further away from the lows of April and May. Nevertheless, pessimism remained more significant than in the same month of 2019 (-12). Sentiment around personal finances in the coming year remained slightly positive on net, while attitudes towards major purchases and the general economic outlook were less gloomy than in August.

Excluding spending on fuel, UK retail sales exceeded year earlier levels for the third month in a row in August, up 4.4% in cash terms and 4.3% in volume. Food store spending growth lagged overall sales for the first time since January, rising at a marginally softer 3.7%. Online spending growth slowed but remained considerable at 34.1%.

Exchange Rates:

	w/e 27/09/20	August 2020			w/e 29/09/19	August 2019		
		Low	High	Avg		Low	High	Avg
€:£	91.6p	89.5p	90.6p	90.1p	88.5p	90.4p	92.8p	91.6p
$:£	78.5p	75.0p	76.7p	76.2p	80.7p	81.5p	82.9p	82.3p
NZD:£	51.7p	49.5p	50.7p	50.2p	50.9p	51.8p	54.0p	53.0p

After steadying between mid-June and mid-August, some positive UK economic news on the rebound in retail sales and business output supported a short-lived recovery in sterling. Moving into September and fears that the impasse in UK-EU trade talks was raising the likelihood of no agreement being reached in time for the end of the transition period saw sterling weaken to its lowest level since the financial market volatility of March. An historically weak sterling underpins the competitiveness of domestic product at home and overseas.

The US and NZ dollars have started to recover from summer weakening on the back of negative economic sentiment due to increased Covid-19 cases. Spiking case numbers in many parts of the Northern Hemisphere through September have led to increased fears over global economic recovery, boosting the US dollar through its 'safe-haven' status.

Iain Macdonald, October 2020