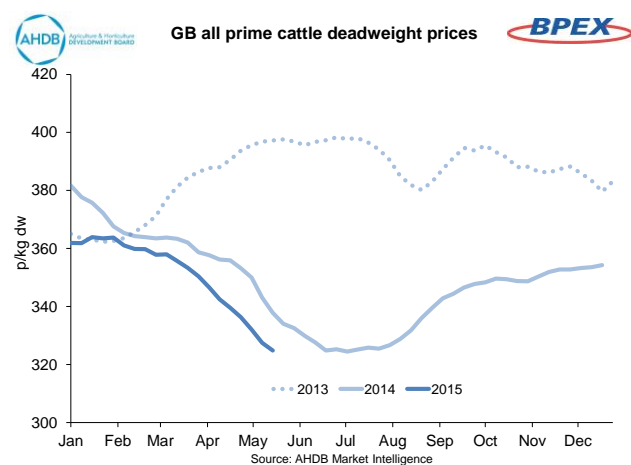


## It's not just pigs – cattle and sheep markets subdued too

The last year has been a challenging one for pig producers, with prices falling steadily. However, the pig sector is not the only one experiencing a subdued market. Prices for most agricultural commodities are low and this is certainly true of the cattle and sheep markets. Although there may be signs that the situation could improve for the former, the latter looks to be set for more difficult times ahead.

During the first half of last year, GB cattle prices fell rapidly, albeit from historically high levels. This was driven by an increase in cattle supplies in the UK and also in Ireland, the main supplier of beef imports to the UK market. The price decline led to a beef summit taking place last summer to discuss ways of improving the situation for producers.



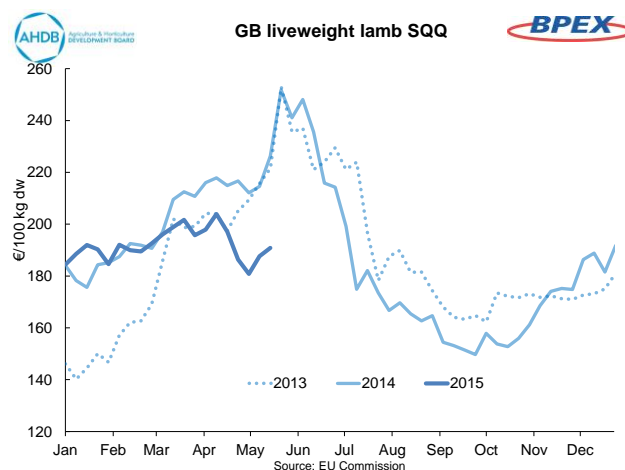
Prices did pick up in the autumn but this year they have fallen again. By mid-May they had reached a similar level to last year's low-point. The difference this time is that supplies are tightening on both sides of the Irish Sea. This suggests that the recent falls are demand, rather than supply, driven. In part, this is because of exchange rates, which have made UK exports, which are mostly of commodity manufacturing beef, less competitive, reducing both volumes and prices. It has also made the UK a more attractive market for exporters from the rest of the EU.

On top of international trade developments, the UK consumer market appears to be becoming more challenging. Beef sales held up relatively well for most of the last 12 months, with figures from Kantar Worldpanel indicating purchases were almost unchanged in the year to 26 April 2015. However, more recently, sales have started to decline. Volumes were down by 2% in the latest 12 weeks and as much as 8% in the last four weeks, although that may be partly due to this year's earlier date for Easter.

Looking ahead, forecasts suggest that supplies will tighten further during the rest of 2015 and into 2016. This could give some support to prices. However, with demand remaining

challenging at home and abroad, it seems unlikely that prices will return to the levels seen in 2013.

Sheep prices actually started 2015 at reasonable levels, given last year's large lamb crop. The strong supply had kept prices relatively low during the autumn but the market picked up in the run up to Christmas and remained firm in the New Year. However, with large numbers of lambs still on farm, the usual uplift in prices in the run up to Easter never really happened. Easter is the peak period for lamb consumption but, as well as the high domestic supplies, plentiful imports from New Zealand kept a lid on prices in the short-term.



The exchange rate has an even more important role in the sheep meat market. With over a third of UK production exported, mostly to the rest of the EU, sterling prices had to fall to remain competitive. Fortunately, continental lamb markets have been relatively firm this year, preventing prices falling even further. Domestic consumption, however, has been subdued over the last year, with household purchases down 7% over the 12 months ending 26 April. Heavy promotions did mean a better Easter, however (see page 10 for more analysis of Easter meat sales).

With the weather having been good again over the last year, another large lamb crop is forecast. This is expected to mean that supplies remain plentiful for the rest of this year. Already, this is starting to weigh on prices, as the new season gets off to a strong start. Since Easter, prices have fallen further, at a time of year when they would typically be rising. This adds to fears that 2015 could be a challenging year for sheep producers, unless demand picks up.

With prices dropping across for other meats as well as for pork, the retail sector is likely to be challenging. This is particularly true as overall demand for meat seems to be weak at the moment; in the latest 12 week, 2% less meat was purchased by GB consumers than a year before, despite the lower prices. Low prices may, therefore, not be enough on their own for pork to gain the market share it needs to boost demand and give support to farmgate prices.