



THE SCOTTISH RED MEAT INDUSTRY PROFILE



2018 EDITION



Introduction

This report draws together a wide range of the latest information on the Scottish red meat sector and encompasses the whole production chain from producer to final consumer.

The data has been collated from many sources, and, unless otherwise stated, covers the 2017 calendar year. The report's objective is to provide users with a single source of key information on the shape and scale of Scotland's red meat industry. This is the thirteenth edition of this publication, and it highlights the continued importance of the red meat sector to Scotland's economy.

On average, 2017 was a good year weather-wise in Scotland, with above-average temperatures and below-average rainfall – though this was very much front-loaded, as the summer and autumn proved to be wetter than average. It was also a good year – on average – for producers as finished cattle and pig prices recovered strongly, while new season lamb prices rose for a second year. A weak sterling underpinned prices for finished livestock. However, the store lamb trade did see significant volatility, as hogg prices failed to take a seasonal upswing ahead of Easter and then selling prices for store lambs trailed year-earlier levels in the autumn. Revenue per carcase for sheep and pig producers received a further boost from higher carcase weights. Set against the general lift in prices for finished livestock was the knock-on impact of a recovery in global commodity prices on the cost of inputs.

In terms of animal numbers, there was a further contraction of the beef herd, leading to worries for the processing sector, which operates on thin margins. However, calf registrations continued to prove more stable and there were further switches from dairy sires towards beef sires and, within the beef herd, from continental sires towards native breeds. In the sheep sector, the breeding ewe flock is estimated to have risen slightly, while relatively benign winter and spring weather supported a further increase in lambing performance in 2017. Indeed, the ratio of lambs to ewes in the June census reached its highest of this century. However, the sow herd is estimated to have contracted

sharply in December, though the ratio of finished pigs to sows did increase, thereby indicating that fewer weaner pigs crossed the border for finishing.

The volume of red meat available for consumption in the UK during 2017 is estimated to have fallen back by 1.5% from 2016's nine-year high. Beef supplies edged higher as a decline in domestic production was more than offset by an increase in imports and a reduction in exports. Meanwhile, sheepmeat supplies fell, as a recovery in domestic production was insufficient to cover the decline in imports and rise in exports encouraged by a weak sterling exchange rate. Pigmeat supplies were driven lower by falling domestic production, which was a legacy of the previous prolonged period of low farmgate prices, while exports increased and imports edged higher. Retail consumption of prime beef cuts rose fractionally, despite increased retail prices, but the general fall in sheepmeat supply restricted consumption of prime cuts in addition to higher retail prices. Pork continued to decline in popularity, with poultry offering fierce competition, but there was some switching towards processed pigmeat products.

Overall, 2017 saw further growth in UK red meat trade. A weaker sterling supported exports for a second year, pushing them 5% higher in volume while also boosting export revenues and margins. However, total imports did ease back despite growth for beef and pork as sheepmeat volumes contracted sharply, mainly down to the combination of tight supplies and rising prices in New Zealand.

In summary, 2017 was a generally more positive year for Scotland's livestock producers as the weather was less extreme and farmgate prices spent large periods above 2016 levels. In the processing sector, supplies tightened for those processing beef and pigmeat and although wholesale prices did see some lift, they had to pay higher prices for their raw materials. Nevertheless, a profitable export trade will have provided some support to margins, particularly on sheepmeat. On the consumer side, changing lifestyle habits resulted in greater use of the foodservice sector and stronger demand for processed meat. While demand for prime beef held firm, there was a continued rebalancing away from roasts towards steaks.



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ISSN 2050-5205

Executive Summary

At 375p/kg dwt, the average steer traded 7% above 2016 levels at Scottish abattoirs and exceeded its five-year average. This meant that per kilo prices were 6% above those in England & Wales. Meanwhile, a strong manufacturing grade beef market underpinned cow prices, which rose by 14%. Store prices rose by 3–5%. The average prime sheep price edged up to 178p/kg at Scottish auctions, as a weak trade for hogs in the spring countered strong early-season lamb prices. Autumn store lamb sales were a buyers' market. Annual average prime pig prices were up by more than a fifth on 2016.

The premium paid at Scottish auctions for farm assured prime cattle widened further in 2017 to average 22%. For sheep, it also increased, approaching 7%.

Sterling averaged around 7% weaker against the euro than in 2016, supporting farmgate prices by raising the profitability of exports and making imports look expensive, particularly to price-sensitive buyers in the food manufacturing and foodservice sectors.

Scotland's beef herd contracted by 1.3% in the year to December 2017, slipping to 415,500 head. However, calf registrations only edged lower in 2017 as a fourth consecutive annual rise in beef-sired calves was more than offset by a decline in dairy-sired calves. The Scottish ewe flock saw a 0.9% expansion to 2.94m head. Sow numbers are estimated to have fallen considerably, down 17% at 31,400 head.

Output from the rearing of cattle, sheep and pigs for meat production rose by more than 7% in 2017 to £1.24bn. However, with total agricultural output surging by 14%, livestock production accounted for a reduced 38% share of the total. Cattle, sheep and pig production remained more important to Scotland than for the UK or EU as a whole.

Input costs were more stable in 2017 but averaged 5% above 2016 levels.

Total beef production is estimated to have fallen by 2.9% to 167,250t in 2017, as a decline in prime production was partially offset by higher cow beef production. In the sheep sector, less than half of the Scottish lamb crop was processed in Scotland and production fell by another 2.6% to 23,400t. Although capacity increased in the pig processing sector, fire damage at the largest abattoir limited production for three months, lowering annual output by more than 12% to 21,100t.

Total sales revenues from the primary red meat processing sector are estimated to have risen by 4% to £892m in 2017 as increased wholesale prices more than offset a decline in production volumes.

England and Wales remained the largest market for Scottish processors in 2017, with almost two-thirds of all revenues being generated there. Exports outside the UK are estimated to have risen to more than £80m in 2017. Exports generated an estimated 9% of total turnover, little different from the previous year but still a smaller share of sales than for the UK red meat industry as a whole.

After three years of food price deflation, consumer prices for food increased by 2.5% in 2017. Although farmgate and import prices for many agricultural products picked up, heavy competition between UK retailers meant that much of this pressure was absorbed by the supply chain. Meat averaged 1.8% dearer than in 2016. Beef prices edged higher, pork rose at a slightly below average pace and lamb rose 4.4%.

The total volume of red meat available for consumption in the UK during 2017 decreased by 1.5% to 2.84m tonnes. Whereas beef supplies rose by 0.6%, sheepmeat availability fell by 6% and pigmeat by 2%.

Total red meat imports are estimated to have fallen by 1% in 2017 to 961,700t. Meanwhile, supported by a favourable currency, exports rose for a second year, up 5% at 427,000t. The EU accounted for 77% of exports by volume while 91.5% of import volumes arrived from the EU.



Prices

Producer Prices

Cattle

Annual average farmgate prime cattle prices recovered in 2017 following three years of declines. At 375p/kg dwt, the average steer price rose by 7% on 2016. Although this was 0.9% above its five-year average for 2013–17, it was still a shortfall of 7% compared to the 2013 peak.

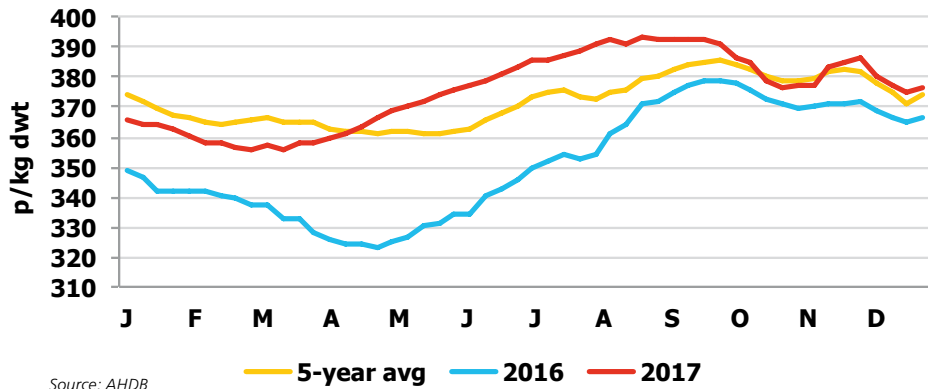
Farmgate prices followed a similar seasonal pattern to the previous year in 2017. After initially drifting lower following the festive period, the market recovered in March and prices rose steadily until August, supported by tight supplies. After steadying for a month, they then dipped back through October and into November before seeing a seasonal lift ahead of Christmas. Once the peak procurement period for the festive season drew to a close, prices cooled again.

Although carcase weights fell relative to 2016, a significant proportion of prime cattle continued to exceed the level required to meet the product specifications of the multiple retailers and therefore faced price penalties. As a result, -U grade steers tended to be priced lower per kilo than R grade steers, whereas the opposite was true for heifers.

Deadweight prime cattle prices averaged around 6% higher in Scotland than they did in England & Wales in 2017. This was down marginally from a premium of just under 6.5% in 2016.

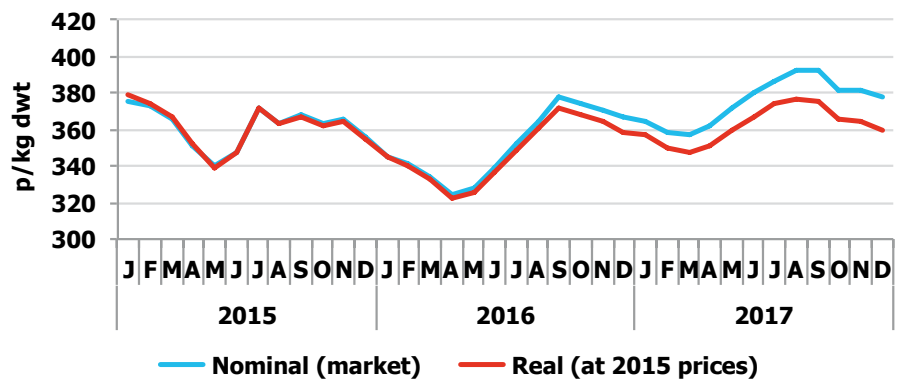
At 262p/kg dwt, the average cull cow price rose 14% above its 2016 level. Scottish abattoirs paid an average of 12% more for cull cows than their counterparts in England & Wales, down from 15% in 2016.

Scottish deadweight steer price



Source: AHDB

Scottish deadweight steer price



Sources: AHDB; ONS

Scottish abattoirs paid an average of £1,433 for a steer carcase in 2017. This was a year-on-year increase of 5.4%. For a cow, the average carcase price rose by 14.4% to £896.

The rise in producer prices in 2017 was sufficient to translate into a real terms increase¹. Real terms prices increased by 4.4% in Scotland and by 4.2% in GB as a whole.



¹Real prices: Where inflation is greater than zero, the price that the producer receives is lower in real terms than the market (nominal) price. This is because the sales proceeds have less purchasing power in the wider economy due to the rise in the general level of prices. For example, a sales price of 350p/kg in period 2 would be equivalent to a price of 343p/kg in period 1 if the rate of inflation was 2%; with inflation at 4%, a price of 350p/kg in period 2 would be equivalent to just 336.5p/kg in period 1. The inflation rate used is the CPIH – a measure of retail price inflation published by the ONS.

Sheep

Prime sheep producer prices began 2017 by diverging from their historic seasonal trend. In most years, hogg prices will trend higher through the first quarter of the year and average significantly higher than what lambs sold for in the final quarter of the previous year. In 2017, however, prices were stable through the first quarter and showed no uplift from late 2016 levels. Store lamb finishers are, therefore, likely to have found it a challenging period. The lack of a seasonal upturn was surprising given a weak sterling and lower imports, though a later Easter, in mid-April, may have had some impact by delaying the rise in demand.

Moving into the new season, lamb prices reasserted their traditional trend, following two years with little new-season spike in market prices. Prices reached 250p/kg lwt for the first time in three years. The market then fell back steadily, before reaching its annual low point of around 160p/kg in September, holding around this level for a month. As demand firmed in the run up to the festive season, prices trended higher again, trading at around 180p/kg in December.

The influence of festivals on the lamb trade was once again in evidence during 2017. With lamb a prominent ingredient of meals at Easter across Europe, prime sheep prices built on firmer demand from both the home and overseas markets. Then in June, prices were influenced by the Islamic festival of Ramadan, supporting prices at the beginning of June when Ramadan commenced, and then at the end of the month when it concluded with the Eid al-Fitr festival. In late August, a further Islamic festival – Eid al-Adha - saw lamb prices increase despite a significant rise in marketings. As noted above, a seasonal lift in demand in the run-up to Christmas and New Year supported farmgate prices in November and December. The annual peak in exports to southern Europe will also have helped underpin the market in late 2017.

Producer prices spent large periods of 2017 above year-earlier levels. The main exceptions were the first quarter, when the market cleared

around 5–10% lower than in 2016, and September, when prices trailed 2016 by 5%. In October, prices were similar to 2016. Meanwhile, during the early weeks of the new season, lamb traded 20–30% dearer than in 2016, and prices ran 5–10% higher in July, November and December.

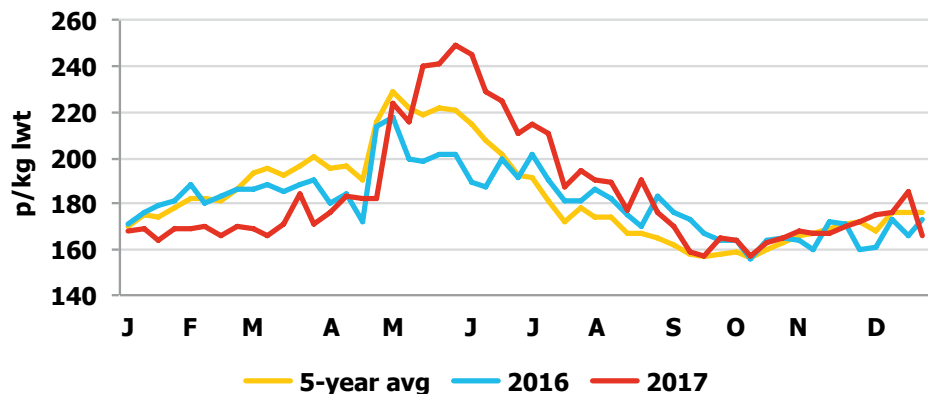
The annual average price for an SQQ lamb (weighing 25.5 to 45.5kg lwt) at Scottish auctions was little different from 2016, edging up by 0.4% to 178p/kg lwt. However, the annual average price at GB price reporting abattoirs increased by 2.6% to 416p/kg dwt.

Scottish prime sheep auction prices averaged 5% below the England & Wales average, compared to 2% below in 2016.

At Scottish auctions, the annual average cull ewe price fell by 3.5% to £55.23/head in 2017. This was 6.3% below the average selling price in England & Wales, compared to a 5% deficit in 2016.

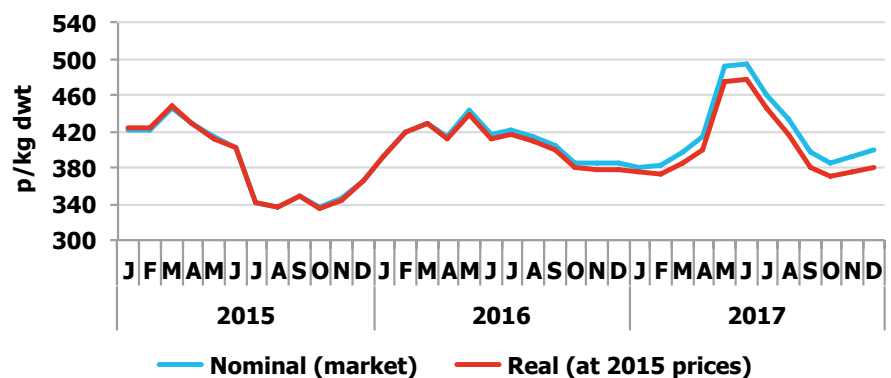
When adjusted for inflation, real terms producer prices were unchanged in 2017.

Scottish prime lamb auction price



Source: AHDB/IAAS

GB deadweight lamb price



Sources: AHDB; ONS

Pigs

Prime pig producer prices returned to their historic seasonal pattern in 2017. This saw prices cool marginally amidst the weak demand environment of the early weeks of the year. As slaughter numbers and carcass weights fell seasonally, prices steadied in February and began to pick up in March, continuing to trend higher until late July.

The pig market peaked in late July, with the SPP reaching 165p/kg for the first time since early 2014, and remained at this level until late August². With carcass weights and weekly slaughterings beginning to rise from their seasonal low, producer prices began to soften, and this pressure continued for the remainder of the year.

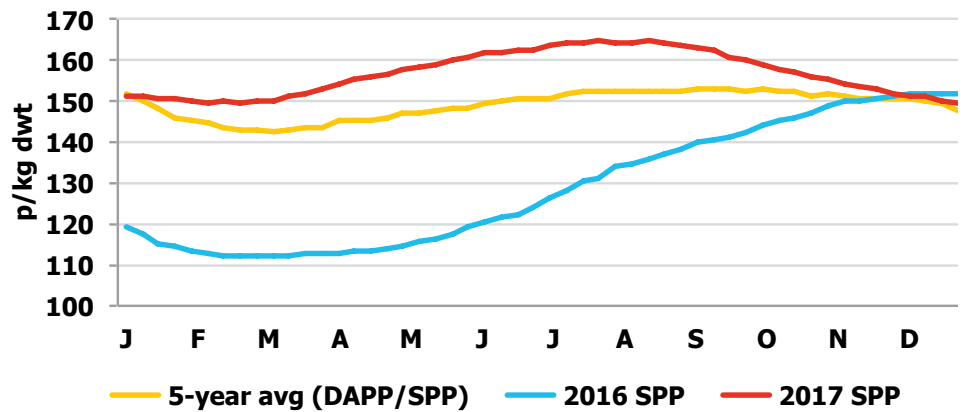
The SPP spent most of 2017 trading at a significant premium to 2016. It opened the year at around 30% and peaked at 37% in April and May before beginning to slide. By the time the market reached its 2017 peak, this rate of annual increase had slipped to 20%, and the gap had closed by the end of November. December saw prices fall around 1% short of 2016.

During 2017, the average price within the SPP sample was 157p/kg – a year-on-year increase of 21%. Higher carcass weights meant that the average price per carcass rose more quickly, up 22.5% at £131.

Real terms producer prices averaged 16.5% higher than a year earlier in 2017.

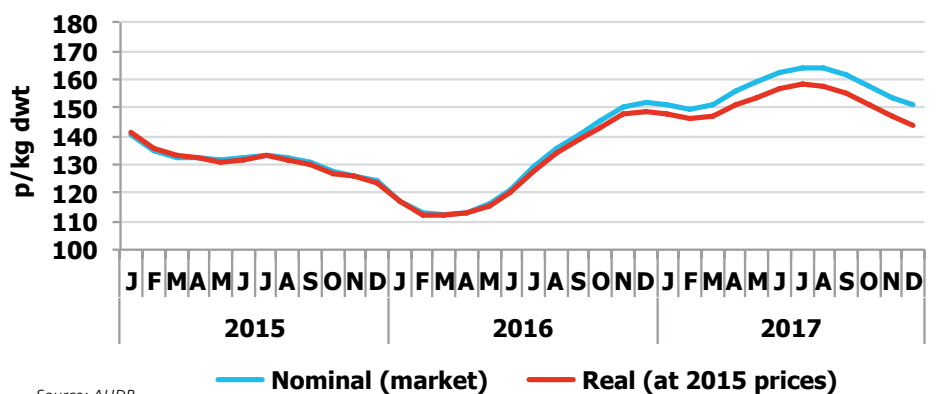
² The 'Standard Pig Price' (SPP) is the price paid by a sample of abattoirs across Great Britain for a 'standard pig'. A standard pig is one that does not receive a premium based on a specific characteristic, such as its breed or being farmed organically. Bonus payments for meeting specific contract targets are also excluded. The only premia included are, therefore, those based on weight and carcass grade.

GB producer price for pigs (SPP)



Sources: AHDB; ONS

GB producer price for pigs (SPP)



Source: AHDB



Farm Assurance Premium at Scottish Auctions

Although individual sales may differ, there is a general pattern throughout the year in which the prices paid at Scottish auctions for Scotch Farm Assured cattle and sheep will be higher than for Non-Farm Assured stock. Each year, the premium for

cattle tends to be larger than for sheep, averaging around 15% and 5%, respectively.

In 2017, the average premium for cattle widened significantly, to 22%, while it rose slightly for sheep, reaching 7%.

Farm Assurance Premium for Prime Cattle at Scottish Auctions

	Scotch Farm Assured avg selling price p/kg lwt	Non-Farm Assured avg selling price p/kg lwt	FA premium (p/kg lwt)	FA premium (%)
2015	200.3	174.1	26.2p	15.0%
2016	195.0	166.4	28.6p	17.2%
2017	210.9	172.6	38.4p	22.2%

Source: IAAS

Farm Assurance Premium for Prime Sheep at Scottish Auctions

	Scotch Farm Assured avg selling price p/kg lwt	Non-Farm Assured avg selling price p/kg lwt	FA premium (p/kg lwt)	FA premium (%)
2015	168.1	158.3	9.8	6.2%
2016	179.3	168.7	10.6	6.3%
2017	180.6	169.0	11.6	6.9%

Source: AHDB/IAAS



Store Prices

Store Cattle

Store cattle prices reflected their historic seasonal trend once again in 2017. Prices peaked in both the spring and the autumn, in line with the main store cattle marketing periods. They also cooled during the summer and fell to their lowest levels of the year in the run-up to Christmas.

Having fallen back in 2016, prices recovered in 2017, with steers trading above 2016 levels for most of the year. On average, a 6–12-month steer sold for £865 and a 12–18-month steer traded at £979 in 2017. These were respective increases of 3.1% and 4.6%.

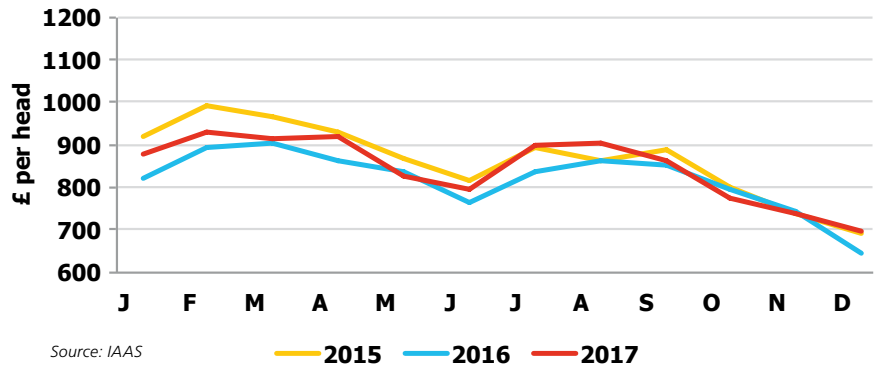
6–12-month steers averaged at 60.4% of the annual average steer carcass price while 12–18-month steers traded at 68.3% of this. These were down by 1.3 and 0.6 percentage points, respectively, from 2016.

Store Sheep

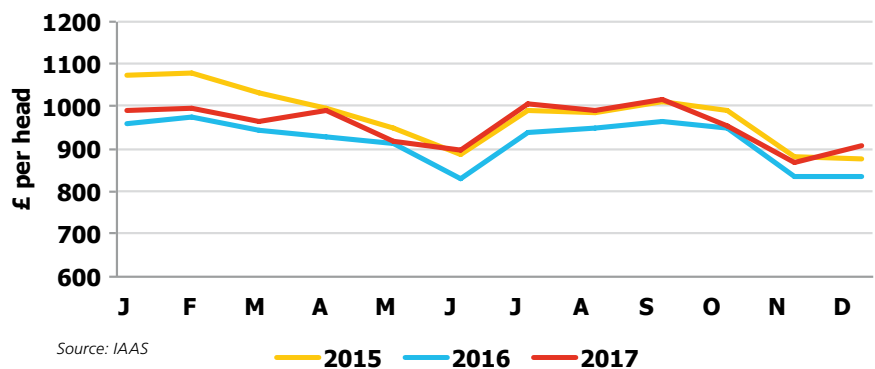
The autumn of 2017 was a challenging one for store lamb sellers. Prices cooled through the main selling period and store lambs traded at significant year-on-year discounts throughout most of the autumn. As well as an increased lamb crop, downwards pressure is likely to have been the consequence of the lack of a spring lift in hogg prices in early 2017 leading buyers to bid more cautiously.

Blackface store lambs traded at an average of £34 per head in 2017, down 6.9% on 2016. This was around 38% of the estimated finished hogg price in the first quarter of 2018, down from 49% of the finished hogg price in the previous year.

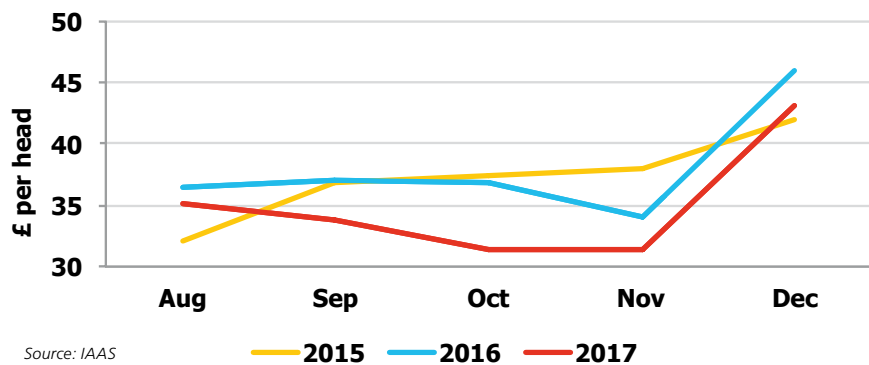
6-12 month store steers



12-18 month store steers



Blackface store lamb prices



Exchange Rate Movements

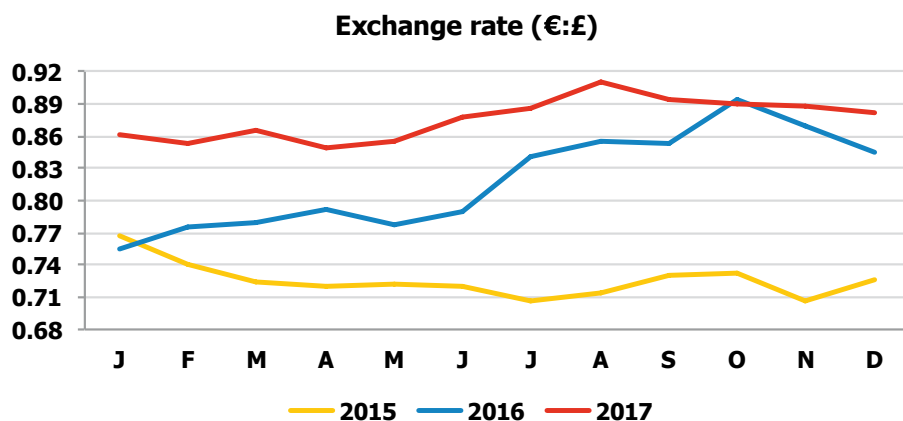
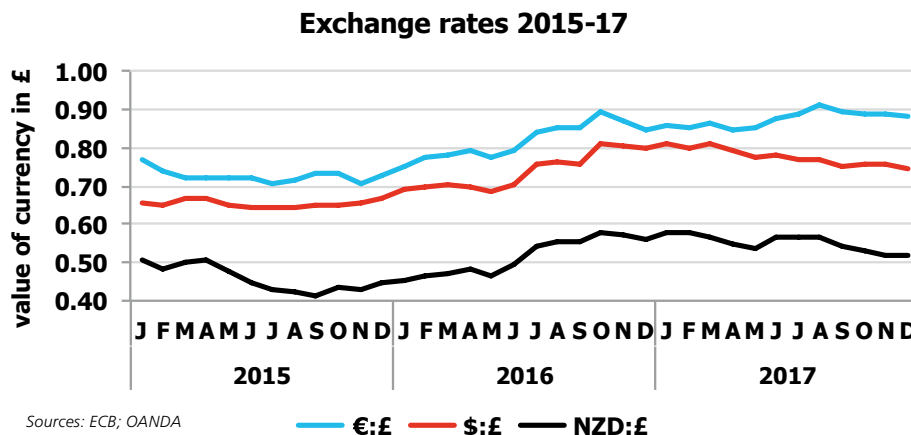
Shifts in exchange rates affect the competitiveness of Scotland's red meat in the home market and abroad. These shifts have knock-on impacts on livestock prices and wholesale prices. Hedging, forward-buying and contract-pricing can slow the pace at which these changes pass through the supply chain.

Following the significant rebalancing of sterling against the euro in 2016, due to the EU referendum result, the value of sterling relative to the euro was more stable in 2017. The euro was worth between 84p and 87p for most of the first half of the year and then 88–90p for most of the second half, though the euro did spike to average 91–92p in late August/early September. As well as developments in Brexit talks, major influences on the exchange rate during the year were the UK General Election, the outlook for UK interest rates and a strengthening of economic activity in the euro area.

Having fallen by 11.2% against the euro in 2016, sterling averaged another 6.7% lower in 2017. On average, the euro bought 87.7p during 2017, compared with 81.9p in 2016 and 72.6p in 2015.

A weaker sterling is likely to have benefited exporters because it allows an unchanged euro price to convert into a higher sterling revenue, potentially allowing a lowering of euro prices to gain market share without having to accept a lower sterling price in return. On the import side, a weaker sterling is likely to have raised the relative price of imports, underpinning demand for home produced product in price sensitive markets – most likely in food manufacturing and foodservice.

The value of sterling against the New Zealand dollar (NZD) is important in the sheepmeat sector due to the majority of the UK's sheepmeat imports coming from NZ.



Although sterling averaged 7.3% weaker against the NZD in 2017 than in the previous year, thereby placing upwards pressure on the cost of importing sheepmeat from NZ, there was a downwards rebalancing of the NZD in the final quarter of the year following a change of Government in NZ. The NZD bought an average of 55.1p in 2017, but this slipped to 52.5p in the fourth quarter.

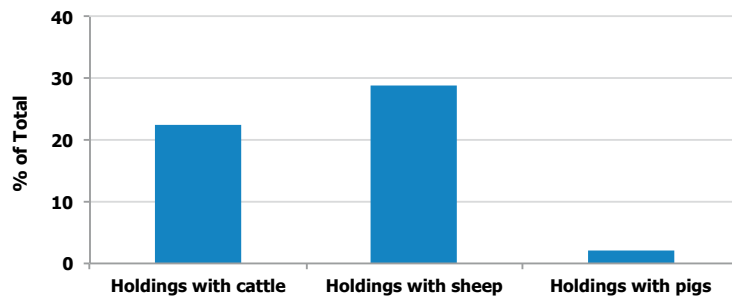
The exchange rate between sterling and the US dollar (USD) affects the price of globally traded commodities such as energy and protein feed, which tend to be denominated in US dollars.

A 5% weakening in sterling against the USD in 2017 reinforced the recovery in global commodity prices, raising input costs. However, just as with the NZD, the USD did ease back towards the year-end, averaging 75.4p in Q4 compared to its annual average of 77.6p, placing some downwards pressure on the cost of many inputs.

Livestock Production

Sheep production maintained its position as the most common farming activity in Scotland, with 29.3% of Scottish holdings involved in it during 2017. Meanwhile, 22.5% of holdings were involved in cattle production and 2.2% produced pigs. The total number of agricultural holdings in Scotland fell by 0.8% to 51,896 in 2016. Cattle farming saw a further decline of 1.8% (-1.6% in 2016), but the number of holdings with sheep rose by 0.4% for a second year and pig holdings recovered by 1.4% (-6.2% in 2016).

Proportion of Scottish holdings with livestock enterprises



Source: Scottish Government (2018c)

Cattle Production

Scotland's beef breeding herd contracted for the sixth time in seven years in 2017, losing 5,400 head (1.3%) to total 415,500 head in December. This left numbers 1.6% below their 2013–17 average and 10% below their 2006–10 average.

Dairy cow numbers showed a small recovery in 2017, lifting 550 head (0.3%) to reach 175,200 head. This was 0.8% above their five-year average but 0.5% below the average for 2006–10.

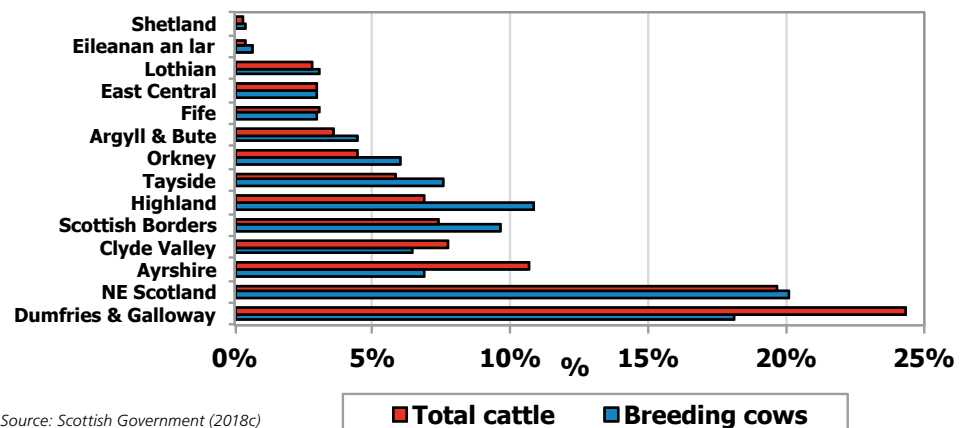
In June 2017, the regional spread of cattle across Scotland remained heavily concentrated in the south west and north east. In Scotland, livestock production is heavily influenced by land type. As a result, in the North West, Tayside, the Borders and Argyll & Bute, the cattle population is skewed towards the beef herd. By contrast, in the South West, there is a heavier focus on finishing store cattle and dairy production. In the North East, the Lothians and Fife, producing beef calves and finishing beef cattle take place in relatively equal measure.

Scottish Cattle Population

	2015	2016	2017
	'000 head		
Beef breeding herd	424.5	420.9	415.5
Dairy breeding herd	177.3	174.7	175.2
Total cattle herd	1,736.1	1,712.2	1,694.4
Breeding herd comprises female cattle over two years of age with offspring			

Source: Scottish Government (2018b)

Regional distribution of cattle



Source: Scottish Government (2018c)

Breeding cows = female beef cattle over two years of age with offspring

Herd Size

In June 2017, the average size of a Scottish beef suckler herd rose slightly. The Scottish average of 48 cows was well above the English average, which stood at 27 in 2015. Average herd sizes remain slightly lower across Scotland than before the decoupling of subsidy payments in 2005.

The prominence of crofting in the Highlands and Islands ensures that the average herd size is well below the national average in the North West. For example, the average holding in Na h-Eileanan Siar had just 7 cows in 2017 and Shetland was little higher at 11, though Orkney herds did exceed the national level. The largest average herd size, of 76 head, was in the Scottish Borders, followed closely by Lothian, averaging 73, and Dumfries & Galloway, on 67 head.

Scotland has a number of large cattle enterprises. As a consequence, the 14% of holdings with 100 or more cows accounted for half of the beef herd in 2017, while the quarter of holdings which had 75 or more cattle under 12 months of age kept 68% of the Scottish total. However, the beef sector remained less concentrated than sheep or pig farming.

Beef Cows Per Holding – Regional Average

	North West	North East	South East	South West	Scotland
2005	31.5	56.7	66.5	55.6	50.8
2016	29.2	55.5	64.5	50.9	47.7
2017	29.7	56.3	65.6	50.7	48.1

Source: Scottish Government (2017, 2018c)



Calf Registrations

The total number of calves registered in Scotland dipped back slightly for the second consecutive year in 2017. Registrations fell by 0.3% to 566,900 head.

Beef-sired registrations increased for the fourth consecutive year in 2017. However, the rate of growth continued to slow, slipping to 0.8% from 1.1% in 2016 and around 2% in 2014 and 2015. Nevertheless, beef-sired registrations posted a six-year high of 469,700 head and exceeded their 2008–17 average by 0.9%. Dairy registrations fell heavily for a second year, down 5% to a nine-year low of 97,150 head. This pushed up the share of beef-sired calves in total registrations to a nine-year high of 82.9%.

On a regional basis, total registrations fell in the North East (-2.4%) and were down a fraction in the South West. However, having fallen in 2016, registrations in both the North West and South East posted recoveries, rising by 0.5% and 0.7% respectively. Whereas beef registrations declined by 1.8% in the North East, they rose elsewhere, showing expansions of 0.2% in the North West, 1.1% in the South East and 1.9% in the South West.

The South West accounted for 45% of beef registrations and 51% of total registrations in 2017.

Scottish calf registrations provide a leading indicator of potential beef production in the following couple of years. However, a rise in calvings in 2015 failed to lead to a rise in slaughterings in 2017 – in part down to the fall in dairy registrations in 2016, which contributed to a sharp decline in young bull production. A small decline in total registrations in 2016 and 2017 suggests that steer and heifer slaughter availability may edge lower in 2018 and 2019, with the further decline in dairy registrations in 2017 suggesting that young bull supplies may suffer again in 2018.

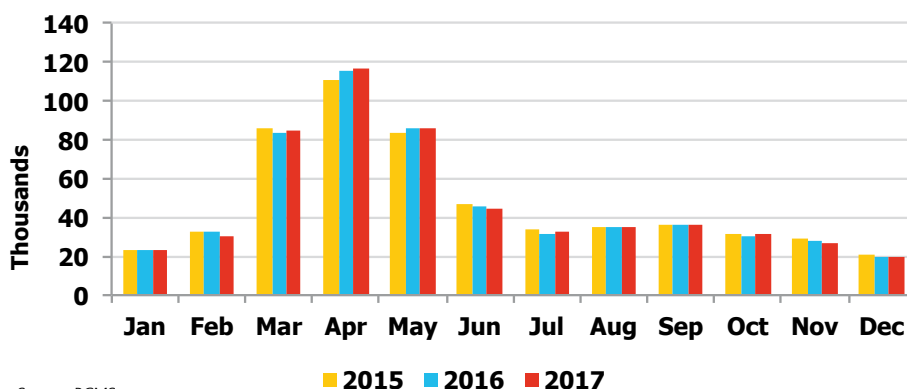
Limousin retained its position as the most popular sire in Scotland in 2017, with 21.3% of the calves born in Scotland being sired by a Limousin bull. However, numbers declined by 3.1% in 2017 to 120,700 head,

Number of Scottish-born Calves Registered with BCMS

	2015	2016	2017
Calf registrations	570,500	568,350	566,900
Of which beef-sired	461,200 (81%)	466,100 (82%)	466,100 (83%)

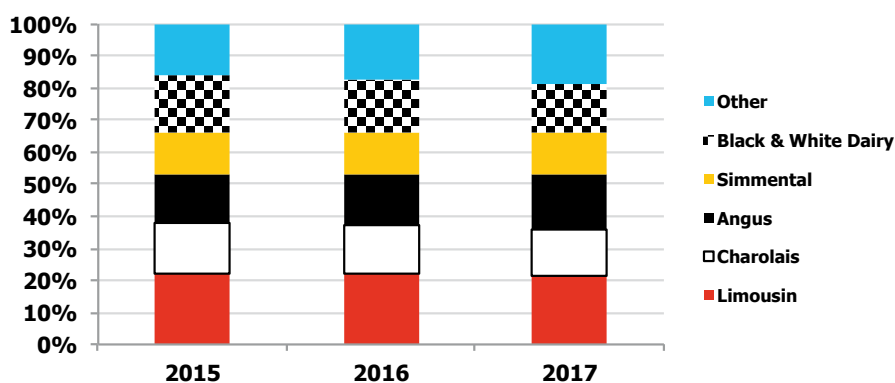
Source: BCMS

Scottish calf registrations



Source: BCMS

Scottish calvings – top sires



Source: BCMS

lowering their share of the total by 0.6 percentage points.

With producers able to secure a premium from the marketplace for finished Aberdeen Angus-sired cattle, the breed's popularity has been rising for a number of years. The year 2017 was no exception, with registrations rising by 4.1% to 95,500 head. Consequently, their share of the Scottish total rose by 0.7 percentage points to 16.8%.

6.5% fewer calves sired by a Friesian or Holstein bull were registered in 2017. At 87,100 head, they accounted for 15.4% of the total, down from 16.4% in 2016.

The popularity of Charolais continued to decrease, with registrations down by 3.8%, while 0.8% fewer Simmental-sired calves were registered. As a result, the Charolais share of the national total fell by 0.5 percentage points to 14.7%, while the Simmental share reversed its 2016 gain, easing from 13.1% to 13.0%.

The popularity of other sires, in general, continued to increase strongly. Of the native breeds, the number of Shorthorn-sired calves rose by 9.5% while there was a 16.5% increase in Herefords. Luining and Highland also showed increases. In terms of other popular breeds, registrations of British Blue and Saler grew by 8–9% in 2017.

Sheep Production

Since 2015, the December Survey of Agriculture figures, published by the Scottish Government, have been sourced from the more comprehensive Sheep and Goat Inventory. Unfortunately, the change in reporting has led to significant volatility from year to year in estimates of 'other sheep' aged over 12 months and 'lambs not put to ram'. Therefore, significant caution is required when comparing against previous years.

Adding the number of ewes that had been kept for breeding in the autumn of 2017 to the number of lambs that had been put to the ram indicates that the Scottish breeding sheep flock expanded by 0.9% to 2.94m head in 2017. This was 6.3% below the 2005–2009 average and 0.6% below the 2013–17 average.

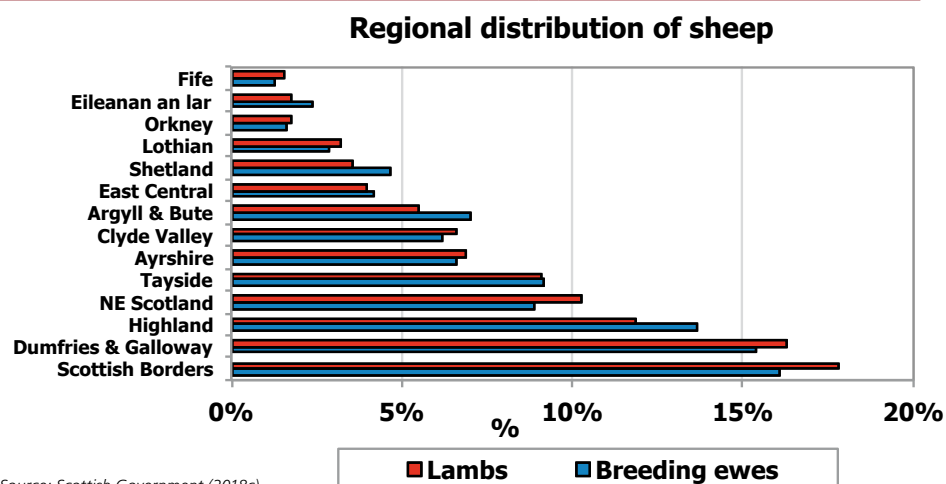
Subtracting the female breeding herd from the total number of sheep estimated to have been on Scottish holdings in December 2017 points to a 7.7% year-on-year decline in 'other sheep'. This would point towards a smaller carryover of hoggs into 2018, but this contradicts the combination of an increased June 2017 lamb crop and a fall in slaughterings between June and November.

Just three regions accounted for 45% of the breeding flock in June 2017. The Scottish Borders had the largest flock, with 15.9% of the total, while Dumfries & Galloway had 15.4% of the total and Highland took a 13.6% share.

Regional variation in ewe performance due to factors such as weather and ground conditions led to a different distribution of lambs across Scotland. The Scottish Borders was home to 17.6% of Scotland's lambs in 2017, while Dumfries & Galloway had 16.2% of the total, 11.7% lived in Highland region and 10.4% in the North East.

Scottish Sheep Population			
	2015	2016	2017
	Million head		
Breeding sheep flock	3.011	2.914	2.940
Other sheep	1.949	2.129	1.966

Source: Scottish Government (2018b)



Regional Lambing Performance (lambs as % of ewes)					
	North West	North East	South East	South West	Scotland
2016	107.2	146.4	136.5	126.3	126.8
2017	107.6	146.4	138.0	128.5	128.3

Source: Scottish Government (2017, 2018c)

On the back of a good 2015-16, ewe performance improved further across much of Scotland in the 2016-17 breeding season, helped by generally favourable winter and spring weather conditions. The national lambing percentage rose by 1.5 percentage points and, at 128.3%, was at a record high for this century.

Lambing performance declined in only one region of Scotland, down two percentage points in Na h-Eileanan Siar. Performance was unchanged in the North East and Highland, and it rose by less than 1% in Fife, Tayside and Dumfries & Galloway. At the other end of the scale, the lambing percentage rose by three points in Clyde Valley and Lothian, and by almost four points in East Central and Argyll & Bute.

Fife remained the top Scottish region for ewe performance, with 157.6%, while the North East held second on 146.4%, followed closely by Lothian on 145.9%. Although ewe performance in the North West remained well below average, Orkney was an exception, with 136.7%.

Flock Size					
	North West	North East	South East	South West	Scotland
2005	111.7	171.5	454.0	339.7	223.9
2016	98.2	171.0	405.7	297.0	206.4
2017	97.6	173.4	414.4	300.8	207.9

Source: Scottish Government (2017, 2018c)

Flock Size

The average Scottish breeding ewe flock had 1.5 more ewes than a year earlier in June 2017, rising to 208 head. Nevertheless, average flock sizes remained significantly smaller than they had been prior to the decoupling of CAP subsidy payments in 2005, except in the North East.

Scottish sheep production has relatively few large units. Indeed, less than 4% of holdings had more than 500 ewes. These holdings accounted for a third of the national flock.

South East Scotland has the largest farms, with each having an average of 414 breeding ewes in June 2017 – almost double the Scottish average. This is largely due to the Borders, where the average sheep holding kept 524 ewes during 2017. At 392 ewes, Tayside had the second largest flocks in Scotland. East Central took third place with 352, followed closely by Dumfries & Galloway on 343 head.

The North West has the smallest farms, averaging 98 ewes apiece in 2017. This average was held down by Na h-Eileanan Siar’s average of only 31 ewes per holding.



Pig Production

The 2017 December Agricultural Survey points towards a sharp contraction in the Scottish sow herd. Following four years of growth, numbers are estimated to have declined by 17% to fall to a four-year low of 31,400 head. At this level, sow numbers were 18% below their 2005–2009 average and down 7% on their 2013–17 average.

On the back of a significant fall in gilt retentions in the December 2016 census, numbers declined by another 2% in 2017, slipping to an 8-year low of 4,800 head.

The number of prime pigs on Scottish farms decreased after three years of growth. However, the 5% fall to 307,100 head still left numbers 5.5% above their 2013–17 average, though, compared to 2005–09, numbers were still down by more than a fifth.

There were 9.8 prime pigs for each breeding sow in December 2017. This was up from 8.6 in 2016 and a 5-year high for the ratio, indicating that a higher proportion of Scottish-born pigs were being finished on Scottish farms rather than being sold as weaners to producers in the north of England.

North East Scotland is home to the vast majority of the country's sows. As numbers only edged higher compared to a national increase of 3.5%, the region's share of the national herd slipped back to 60% in June 2017, reversing the previous year's increase. Numbers also edged higher in the South West, lowering its share slightly to 7.3%. With the North West's sow population contracting by 12%, leaving it with a 4% share of the national breeding herd, the South East accounted for most of the national increase. Indeed, the South East's sow herd rose by 14% to 9,150 head, raising its share to 28.6% from 25.9% in June 2016.

Scottish Pig Population

	2015	2016	2017
	head		
Pig breeding herd	37,300	37,800	31,400
Total pig herd	331,000	367,800	345,150

Source: Scottish Government (2018b)

Breeding Herd Size

	North West	North East	South East	South West	Scotland
2016	11.5	221.7	79.5	17.5	68.3
2017	10.6	220.7	87.2	18.0	71.4

Source: Scottish Government (2017, 2018c)

Herd Size

The average Scottish sow herd increased by three sows in the year to June 2017, following an average increase of five sows in the preceding three years.

In the North East, the average holding kept 220.7 sows in June 2017, down marginally on the year, but still roughly three times the national average. This difference in scale was also true for fattening pigs, with the average North East holding keeping 699 in June 2017 compared to a national average of 263.5. Both statistics reflect the concentration of commercial pig production in this area of Scotland.

Pig production is not only concentrated regionally, but also into a small number of enterprises. In 2017, there were only 57 holdings (12.7% of the total) with more than 100 sows, and these holdings accounted for 94% of the national herd, averaging 530 sows each. Thirty-three of these holdings were in North East Scotland, and they each had an average herd size of 573 head. Meanwhile, the nine South East holdings with more than 250 sows each averaged 800 head.

The 115 holdings (15.4% of the total) with more than 100 fattening pigs accounted for 98% of the national total, averaging 1,669 head each. 63 of these holdings were in the North East and they each averaged 1,939 head, while the 38 large holdings in the South East had an average population of 1,353 head.

Farming Output*

Provisional estimates indicate that Scottish agricultural output rebounded strongly in 2017 to reach a record high in cash terms of £3.22bn. Output rose 14% following three years of declines.

It is estimated that combined output from cattle, sheep and pig farming rose more slowly than total agricultural output in 2017, up 7.5% at £1.24bn. This meant that livestock farming's share of the total lost 2.2 percentage points compared to 2016, slipping to a three-year low of 38.5% in 2017.

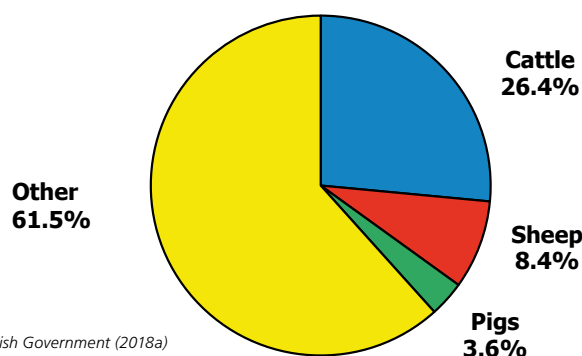
Output from beef production recovered from three years of declines to reach a new record high of £851m. This was an annual expansion of 6.6% for the largest sector of Scottish farming. However, its share of agricultural output fell further, down 1.8 percentage points to 26.4% – its lowest since 2013. Output from finished cattle and calves rose 2.3% to £647m as higher farmgate prices and coupled support payments more than offset a fall in production. Meanwhile, the cross-border trade in store cattle and calves rose by 30% to reach £69m, while capital formation (the asset value of replacement breeding cattle) rose by a fifth to £134m.

The sheep sector reported a second year of output growth in 2017, climbing 4% to £271.5m – its highest for 20 years. However, its share of total agricultural output did ease back from 2016's 9.2% to 8.4%. Finished sheep and lambs drove the output increase, rising 7% to £209m, as a higher lamb crop and a firm market combined. While wool income edged up, revenue from cross-border sales of store sheep declined and there was a small fall for capital formation.

Pig sector output surged in 2017, rising 24% to £116m. Most of this was down to a rise in farmgate prices by more than a fifth in 2017, but increased prime pig numbers also made a contribution. The pig sector saw its share of Scottish agriculture rise to 3.6% in 2017 from 3.3% in 2016.

Livestock continues to be of greater significance to Scottish agriculture than it is either in the UK as a whole or, on average, in the EU.

Livestock contribution to agricultural output in Scotland – 2017



Source: Scottish Government (2018a)

Contribution to Scottish Agricultural Output						
	2015		2016		2017	
	£m	%	£m	%	£m	%
Cattle	820.0	28.6	797.9	28.2	850.7	26.4
Sheep	224.9	7.8	260.3	9.2	271.5	8.4
Pigs	88.8	3.1	92.6	3.3	115.1	3.6

Source: Scottish Government (2018a)

Contribution to Agricultural Output (%) in 2017			
	Scotland	UK	EU
Cattle	26.4	15.1	8.5
Sheep	8.4	6.1	1.4
Pigs	3.6	5.3	9.2

Sources: Scottish Government (2018a); Eurostat (2018)

* Please note that pig sector output has been adjusted here by QMS to reflect higher carcass weights

Producer Input Costs

Following three years of declining input prices, the UK Agricultural Price Index for total inputs rose to average its highest level since 2014. On average, input prices followed a relatively stable trend through 2017, showing a small dip in the summer, but the rise in the second half of 2016 meant they had a lower base to compare against for most of the year, pushing them up by 5% on 2016.

Energy costs fell by around a fifth during the first five months of the year. After steadying between May and July, they firmed through the remainder of the year, to end 2017 around 5% higher than they had begun it. Electricity and gas prices trended higher for most of the year, climbing by 5–10% between January and December. Fuel costs showed a U-shaped cost trend during 2017, opening and closing the year at similar levels, but cooling by around 10% in the summer. Energy costs averaged 10% higher than in 2016. The evolution of overall energy costs reflects the seasonality of energy use as well as headline prices, and is heavily linked to the oil price.

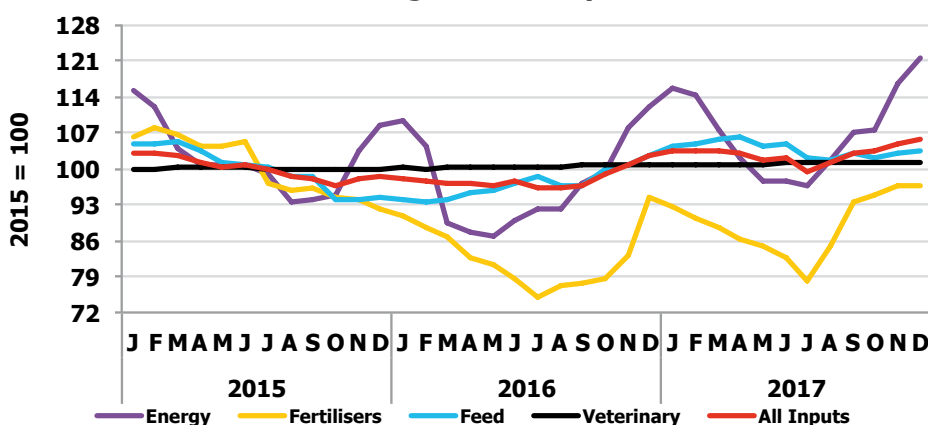
The fertiliser market followed a similar trend to energy costs in 2017, falling sharply in the first half of the year before rising in the second half to end the year higher than they had started it. This price trend largely reflected the balance between global supply and demand. Over the course of 2017, fertilisers averaged 8% dearer than in the previous year, but remained at their second lowest level since 2007.

Feed costs were relatively stable on average through 2017, with their monthly index showing only a 5% difference between its minimum and maximum level. However, they did average 7% above 2016 levels, as a rising trend in 2016 – in part down to the fall in sterling after the EU referendum – meant a lower base to compare with. At the global level, rising grain production was enough to cover demand growth for a fourth year, keeping the market in balance.

Index of Producer Input Costs				
	2015	2016	2017	Annual change 2016:2017
	2010=100			%
Energy	101.2	97.1	107.1	+10.3
Fertilisers	101.5	83.2	89.9	+8.1
Feedstuffs	108.1	104.9	112.2	+7.0
Veterinary	107.7	108.1	108.7	+0.6
Total Inputs	106.8	104.6	109.8	+5.0

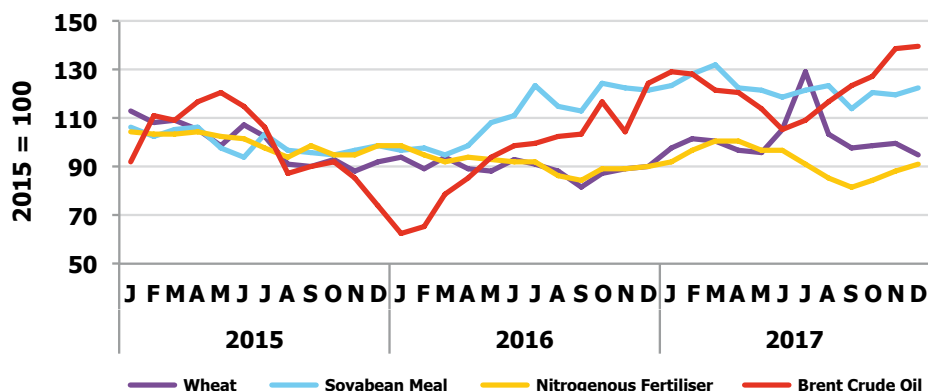
Source: Defra (2018a)

Selected agricultural input costs



Sources: CME; FRED

Global commodity prices in sterling terms



Sources: CME; FRED

Primary Processing

Supply of Livestock to the Processing Sector

Cattle

A total of 388,700 prime cattle were slaughtered at Scottish abattoirs during 2017. This was 2.8% less than in 2016. In addition, it was 3.2% below the 2013–17 average and 19.5% below the 2005–09 average.

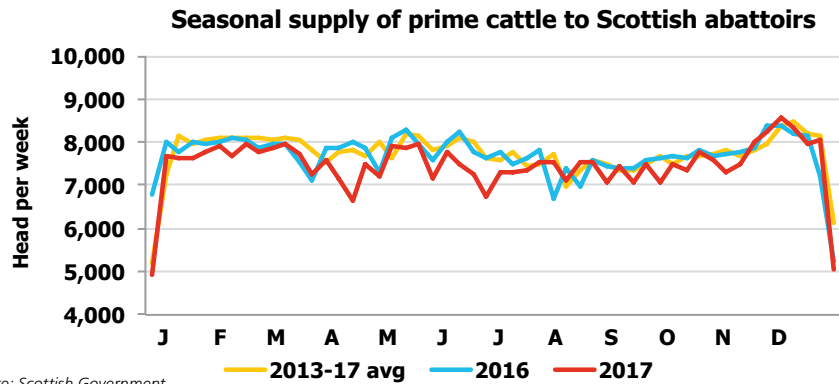
At 73,550 head, mature cattle slaughterings were up by 3.6% on the year and 12.6% above their 2013–17 average.

During 2017, the total number of cattle killed at Scottish abattoirs decreased by 1.9% to 462,400 head. This was 1% behind the 2013–17 average and 11.4% below 2005–09.

In 2017, the average prime cattle carcase weight fell back for a second year, averaging 0.9% lower at 365.8kg. The average cow carcase weight fell for a third year, down 0.8% at 338.2kg.

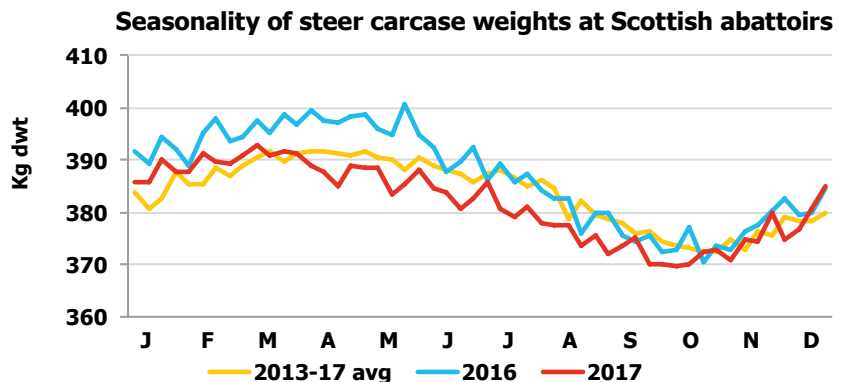
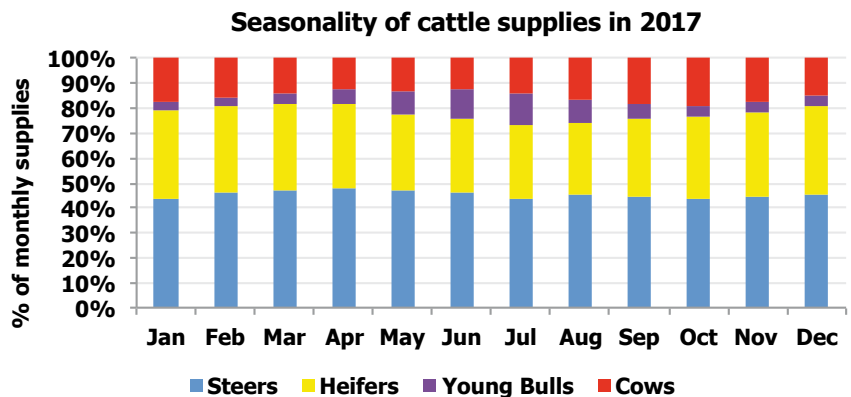
Significant numbers of cattle, primarily steers, continued to exceed the target carcase weight range required to meet product specifications for prime cuts of beef sold by UK supermarkets. Pricing penalties for heavy carcasses are likely to have influenced the continued downwards rebalancing of carcase weights.

It is estimated that the reduction in prime cattle slaughter and carcase weights led to a 3.7% contraction in prime beef production to 142,200t in 2017. Total beef production is estimated to have fallen more slowly, down 2.9% at 167,250t.



Average Carcase Weights				
	Scotland			UK
	2015	2016	2017	2017
kg per head				
Steers	392	387	382	367
Heifers	344	344	344	330
Young bulls	359	361	361	327
All prime cattle	371	369	366	349
Cull cows	348	341	338	307

Sources: Defra; Scottish Government



Seasonality of production

Carcase weights are traditionally lower during the autumn, reflecting the dominance of spring calving in Scotland. Steers and heifers tend to be slaughtered at around 18 months of age in the autumn, whereas those being slaughtered in the spring tend to be closer to two years old.

While steers and heifers continued to dominate the cattle kill in 2017, averaging 78% between them, this fell to less than three-quarters in July and August when young bull throughputs peaked. With cow culling reaching a peak in the autumn, their share rose to 17–19% between August and November, compared with an annual average of 15.5%.

The slaughter mix changed in 2017, with a shift from young bulls to cows. Steers held at 45.4% of the total, heifers edged up a fraction to 32.6%, cows gained 0.8 percentage points to 15.6%, while the young bull share slipped by 0.9 percentage points to 6.4%.

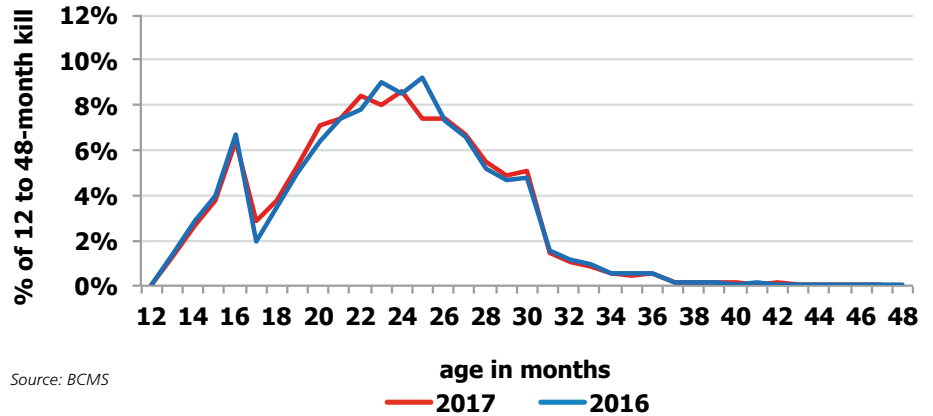
Age of Cattle at Slaughter

A reduction in young bull slaughter in 2017 meant that around 13% of male prime cattle were processed at 12–16 months, down from 14% in 2016. Meanwhile, the steer age profile became younger in 2017, with some movement away from 23–27 months towards 18–22 months. The most common age at death fell by a month to the 24th month, but the median age at death held at 23 months.

The heifer age at death profile also moved younger in 2017, with the proportion slaughtered at 18–22 months rising three percentage points to 36.4%. The 23rd month remained the age of death for the median heifer while it became the most common age for a heifer to be slaughtered at - a month older than in 2016.

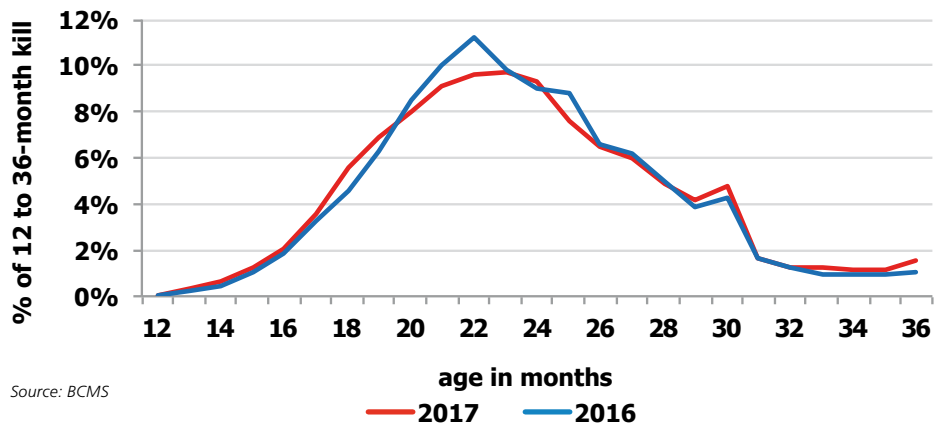
In the dairy herd, cows appear to be culled mainly between four and seven years of age (48–84 months) while only very few will live past the age of 14 years (168 months).

Age profile of male cattle at death



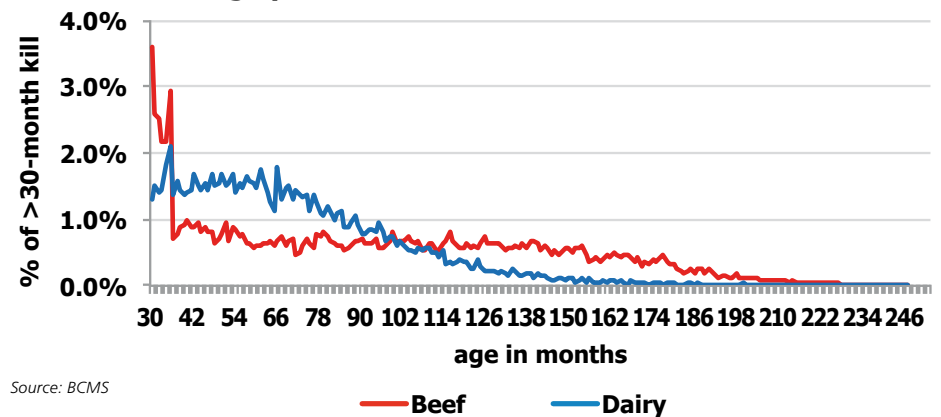
Source: BCMS

Age profile of female cattle at death



Source: BCMS

Age profile of over 30-month females at death



Source: BCMS

For beef cows, the profile is relatively stable from four years all the way up to 13–14 years where it begins to tail off.

The higher levels of female beef cattle being killed between 31 and 36 months of age will mostly reflect the slaughter of older heifers, including those that have been served for the first time, but failed to conceive.

The average age at death for a dairy cow in 2017 was just under six years; for beef it was around eight and a half years. This suggests that the average dairy cow will have had three calves, while the average beef cow will have had six calves. However, the flat age profile suggests that ten or eleven calves would be almost as common as six calves for a beef cow.

Sheep

Prime sheep slaughter at Scottish abattoirs fell for a third year in 2017. Numbers decreased by 4% to 1.12m head and were at a 9-year low. Throughput trailed its 2013–17 average by 10.6% and fell 16.4% short of its 2005–09 average.

In its 2018 Economic Report on Scottish Agriculture, the Scottish Government estimated that 2.23m Scottish born lambs were sold for slaughter in 2017. After factoring in cross-border sales of store sheep, less than half of Scottish-born lambs will have been processed in Scotland.

During the first third of the year, slaughterings contracted by 4.8%. This was despite the combination of an increased June 2016 lamb crop and lower slaughterings in the second half of 2016 suggesting an increased hogg carryover. Numbers then contracted at a slower rate of 3.5% between May and the year-end, again despite June 2017 census figures suggesting a greater volume of lambs on Scottish farms than twelve months before.

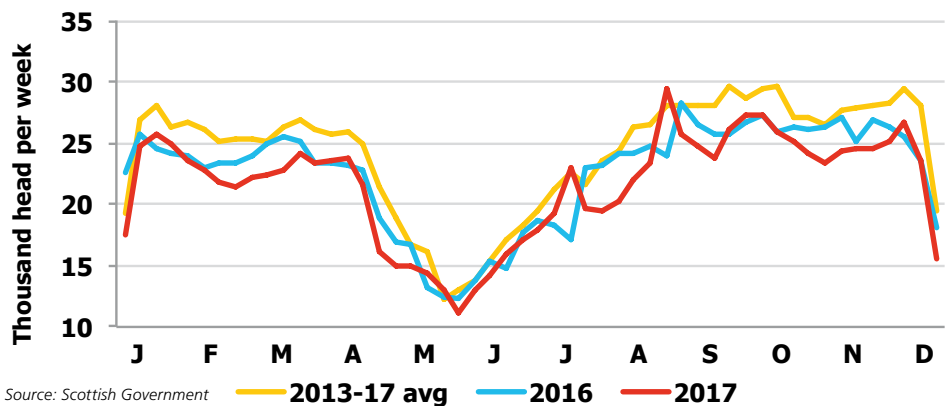
The largest weekly kill of the year occurred in the week ending September 2. Numbers exceeded their 2017 weekly average by 36%, reflecting additional demand for sheepmeat due to the Eid al-Adha festival.

The number of ewes and rams handled by Scottish abattoirs increased by 36% in 2017, recovering to a three-year high of 19,700 head. The low level of slaughtering in Scotland continues to reflect that the majority of Scottish cull sheep are transported to abattoirs in England and Wales.

In its 2018 Economic Report on Scottish Agriculture, the Scottish Government estimated that 532,150 Scottish ewes were slaughtered in 2017. This suggests that around 512,000 Scottish ewes were slaughtered in England & Wales during 2017.

The average prime sheep carcass weight at Scottish abattoirs rose by 0.6% to 20.3kg in 2017.

Seasonal supply of prime sheep to Scottish abattoirs



Average Carcass Weights

	Scotland			UK
	2015	2016	2017	2017
	kg per head			
Lambs	20.4	20.2	20.3	19.4
Cull sheep	31.9	30.6	30.8	26.5

Sources: Defra; Scottish Government

Prime hogg carcass weights were generally around 2% heavier than they had been in 2016, averaging 20.7kg. Moving into the new season and lambs were marginally lighter than a year earlier from June to November before ending the year around 1% lighter in December. Average weights were slightly below 20kg from June to September and then slightly above 20kg for the remainder of the year.

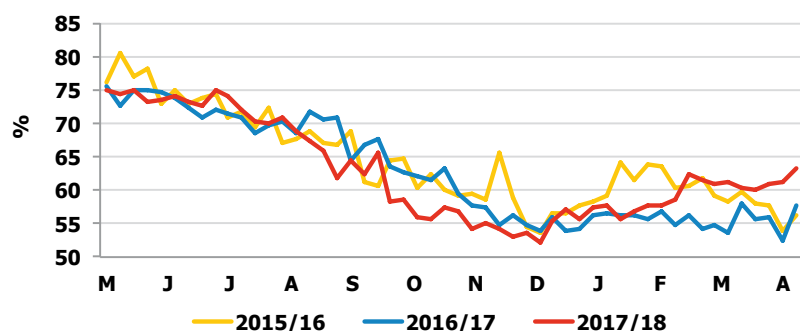
The recovery in average carcass weights partially offset the decline in slaughterings in 2017, resulting in a 3.4% decline in prime sheepmeat production to an estimated 22,800t. At 23,400t, total sheepmeat production was down by 2.6%.

Carcass quality

In the May 2017 to April 2018 season, 61.9% of the prime sheep slaughtered at GB price reporting abattoirs achieved an R3L grade or better. This was 0.4 percentage points behind the previous season.

Carcass quality opened the season around a percentage point behind 2016 levels, but this quickly reversed into a lead of one to two points, holding at this level through June and July. However, carcass quality then fell behind year earlier levels in August and ran at a significant deficit of three to five points throughout the autumn. December then saw the deficit narrow slightly to two percentage points. Moving into 2018 and hoggs showed an improvement of around one to two points in the early weeks of the year before opening a five to seven point lead in March and April.

Proportion of GB sheep carcasses achieving R3L grade or better



A further proxy of carcase quality is the proportion of prime sheep sold at auction that qualify as 'Standard Quality Quotation' (SQQ). The SQQ covers prime sheep weighing from 25.5kg up to a maximum liveweight of 45.5kg. During 2017–18 on average, 75.9% of prime sheep fell into this weight band, up from 72.4% in 2016–17. Hoggs accounted for most of this difference with their SQQ proportion up 7.7 percentage points on the year at 75.1% while lambs showed a small increase of 0.7 points to 76.4%. Instead of showing its traditional seasonal decline through the spring, the proportion of hoggs being classed SQQ steadied, as poor grazing conditions and forage supplies are likely to have limited growth rates, resulting in relatively few heavy hoggs being produced.

Pigs

Scottish abattoirs slaughtered 248,600 prime pigs during 2017. This was a year-on-year decline of 16.7% and was driven by a suspension of processing at Scotland's main pig abattoir between August and November, following fire damage.

Excluding periods of reduced capacity in 2016 and 2017 from the annual comparison indicates that slaughterings increased slightly in 2017.

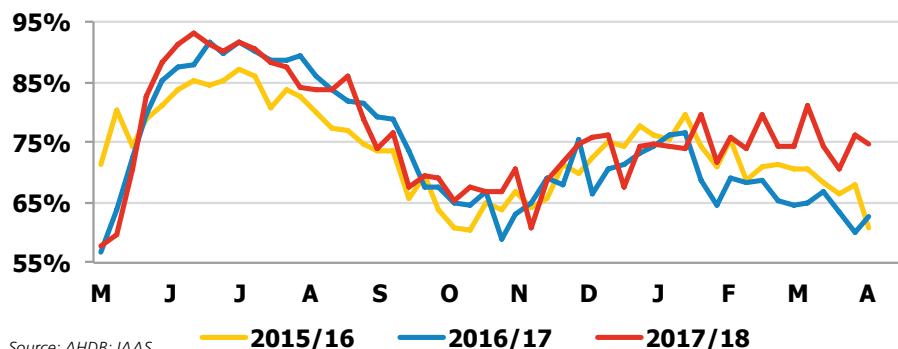
In its 2018 Economic Report on Scottish Agriculture, the Scottish Government estimates that 920,000 Scottish-born pigs were sold for slaughter in 2017, indicating that less than a third were processed in Scotland.

Sow slaughterings showed a substantial increase in 2017, reaching a 13-year high of 5,600 head. Volumes remained at a very low level from the beginning of 2017 until mid-May, when 300–500 per week began to be processed. However, this was short-lived, with little sow slaughtering taking place after August.

With an estimated 13,000 Scottish sows being slaughtered during 2017, 56% were processed outside Scotland.

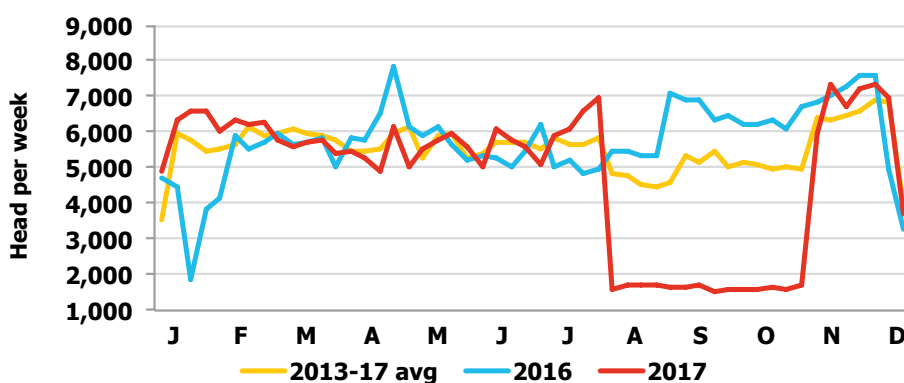
Prime pig carcase weights increased for the fifth consecutive year in 2017. Possible explanations for the 1.4% increase to 81.8kg in 2017 include further improvements in productivity

Proportion of prime sheep classed SQQ at Scottish auctions



Source: AHDB; IAAS

Seasonal supply of prime pigs to Scottish abattoirs



Source: Scottish Government

Average Carcase Weights

	Scotland			UK
	2015	2016	2017	UK 2017
	kg per head			
Clean pigs	80.1	80.7	81.8	83.3

Sources: Defra; QMS estimate from Defra and Scottish Government data

as well as attempts to boost carcase weights to generate a higher revenue per carcase. The rise came despite higher feed costs, although forward buying may have limited cost increases.

At the UK level, carcase weights opened 2017 at around 84kg, before easing back to 83kg in the spring and then reaching a seasonal low of around 82kg in the summer. Weights then climbed seasonally to average 84–85kg at their autumn peak, before dropping back to 82kg in December as slaughter was brought forward in advance of the festive period.

It is estimated that prime pigmeat production at Scottish abattoirs contracted by 15.5% in 2017 as higher weights partially offset the lower kill. A substantially higher sow kill limited the decline in overall pigmeat production to 12.4%, with volumes slipping back to 21,100t.

Scottish Abattoir Output

Twenty-four licensed red meat abattoirs operated in Scotland during 2017 and submitted levy returns to QMS, unchanged from 2016. However, one site closed during the year. Cattle slaughtering took place in 19 sites, while 18 processed sheep and 14 processed pigs.

During 2017, Scottish Government slaughter data indicates that 1.86m animals were processed by Scottish abattoirs, 4.8% fewer than in 2016. This produced an estimated 212,100t of red meat, down 3.9% on 2016. Red meat production fell more slowly than throughput, as beef production accounted for a greater share of the total.

Scottish Abattoir Output						
	Number of animals		Volume of meat (t)		Estimated value (£m)	
	2016	2017	2016	2017	2016	2017
Cattle	471,285	462,375	172,205	167,250	659	674
Sheep	1,184,315	1,143,050	24,020	23,385	130	138
Pigs	298,570	254,195	24,110	21,125	43.5	47
Skins & hides	n/a	n/a	n/a	n/a	28	33

Sources: QMS Processor Survey; Scottish Government

It is estimated that the total turnover of the primary processing sector during 2017 was £892m. Compared to the previous year, this was an increase of £32m, or 4%. Employment is estimated to have risen by 1% to reach 2,900. It is estimated that 51% of employees were non-UK EU nationals, but this varied significantly by business-size and location. It was closer to two-thirds in some of the largest processors, but more limited in the smaller businesses.

It also tended to be higher in the North East than in the South West.

Although cattle throughput decreased and mature cattle took a higher share of the slaughter mix, wholesale prices are estimated to have recovered strongly, resulting in an estimated rise in cattle processing turnover of 2% to £674m.

The combination of higher wholesale sheepmeat prices and heavier carcass weights is estimated to have more than offset a decline in abattoir

throughput, pushing up processor output by 6% to £138m.

Despite a fall in pigmeat production in 2017, a strong recovery in wholesale prices in 2017 is estimated to have seen overall turnover expand, rising 8% to £47m.

Sales of skins and hides were worth an estimated £33m to Scottish red meat processors in 2017. Values for both skins and hides recovered strongly after a challenging market in 2016.

Scottish Abattoir Sector Scale			
	Cattle	Sheep	Pigs
Abattoirs killing stock	19	18	14
Proportion of kill in 5 largest abattoirs (%)	70.5	89.4	95.3
Proportion of kill in 5 smallest abattoirs (%)	0.6	0.6	0.4

Source: QMS levy returns

The cattle processing sector is more evenly spread in terms of capacity than the sheep or pig sectors. There are a number of medium-sized plants working with cattle, whereas sheep and pig processors tend to be either very small or very large.

During 2017, the five largest cattle processing abattoirs saw their share of throughput fall back by 0.3 percentage points, while the share of the top five sheep processors dropped by 0.1 points. By contrast, pig processing became more

concentrated within the five largest plants, collectively adding 1.5 percentage points. Meanwhile, the share of cattle and sheep processing in the smallest five abattoirs doubled to 0.6%, but it declined from 0.8% to 0.2% in the pig sector.

Distribution of Scottish Red Meat Sales in 2017 (based on a sample of processors)						
	Scotland		Rest of UK		Exports	
	Value (£m)	% by value	Value (£m)	% by value	Value (£m)	% by value
Beef	167	27	432	67	39	6
Sheepmeat	23	18	74	56	34	26
Pigmeat	18	38	29	62	<1	<1
Total red meat	208	25	535	66	73	9
Fifth-quarter	5	13	29	67	9	21
Skins/hides	10	31	20	62	2	7

Totals may not sum to 100% due to rounding. *Source: QMS Processor Survey*

Distribution of Red Meat Sales by Market Outlet in 2016 (based on a sample of processors)

	Beef	Sheepmeat	Pigmeat	Fifth-quarter
	% by value			
Multiple retailers	55	63	58.5	3.5
Independent retailers	3.5	2	15.5	1.5
Retail wholesalers	9.5	35	5.5	55
Food manufacturers	22	<1	5.5	31.5
Food service & catering suppliers	9	<1	15	3
Other	1	0	0	6

Totals may not sum to 100% due to rounding.

Source: QMS Processor Survey

England and Wales remained the most common first point of sale for Scottish processors in 2017, and it is estimated that nearly two-thirds of all revenues were generated there.

The Scottish processing sector continued to send less of its produce overseas than the UK as a whole. Higher beef producer prices and a lower scale of production in Scotland than in the rest of the UK make it harder for Scottish processors to compete in price-sensitive export markets. This means that Scottish beef exports tend to be of higher value product. Sheepmeat exports also tend to be of higher value cuts, and sales rose slightly in 2017 on the back of a favourable exchange rate. Pigmeat exports are estimated to have remained at a negligible level.

Fifth quarter products continued to play an important part for cattle and sheep processors, helping them to achieve better carcase balance. These products are much more likely to be sold to wholesalers and food manufacturers than into the multiple retailers. They also make up a significant proportion of exports. Fifth quarter exports consisted mainly of beef in 2017.

Multiple retailers continued their domination of the sales profile of Scottish red meat processors. Food manufacturers were also significant customers for those processing beef, while exports of sheepmeat tend to be sold to wholesalers on the continent. Fifth quarter is largely sold wholesale or to the food manufacturing trade.

Scotland's red meat exports outside the UK in 2017

During 2017, Scotland is estimated to have sold more than £80m of red meat and offal to customers outside the UK. Beef exports are estimated at £39m in value and 7,100t in volume (converting to around 10,000t in carcase weight terms), with a further 4,300t of beef offal generating nearly £9m of revenue. Volumes rose by 3.4% year-on-year while revenues increased by 12.2%, in part reflecting favourable exchange rate movements.

Product branded as Scotch Beef PGI accounted for 56% of beef export volumes and 62.5% of revenue. It averaged £6,100/t compared to £4,700/t for non-Scotch beef exports – a premium of 30%. Offal was exported at an average value of just over £2,000/t.

At £11.7m, France was the largest overall market in terms of export revenue, accounting for 24% of the combined beef and beef offal total. France accounted for 23% of Scotch Beef PGI sales, 27.5% of non-Scotch sales and 23.5% of the offal trade.

Italy was the largest market for Scotch Beef PGI, with 1,600t sold for £7.2m, giving it a 38% share by volume and 30% by value. Its share of non-Scotch and offal revenue was much lower, at a respective 8.5% and 2%. Belgium/Luxembourg and the Netherlands were also important markets, accounting for shares of 11% and 15.5% of Scotch Beef PGI export revenues.

The top premium beef markets within the EU in 2017 were Germany/Austria, averaging £10,900/t for sales of Scotch Beef PGI; the Nordics, averaging £13,100/t; and Belgium/Luxembourg, leading the way on £13,200/t.

Non-EU markets are estimated to have accounted for 9.5% of beef and beef offal export revenues in 2017, up from 7.5% in 2016. Eighty-four per cent of this revenue was generated from sales of beef offal, with non-EU markets accounting for 43% of beef offal revenue. Hong Kong/Macau was the main destination for beef offal, while Switzerland/Norway was the main non-EU market for both Scotch Beef PGI and non-Scotch product. Sales of Scotch Beef PGI to Switzerland/Norway had the highest average price for any market, at £18,400/t.

Scotland's Beef Exports by Destination in 2017 (£m)

	Scotch Beef PGI	Non-Scotch	Beef Offal	Total
EU	24.08	14.35	5.02	43.44
Belgium/ Luxembourg	2.78	0.77	0.25	3.80
France	5.58	4.02	2.09	11.70
Netherlands	3.83	1.53	0.06	5.42
Italy	7.26	1.24	0.17	8.67
Spain/Portugal	0.80	0.23	0.01	1.04
Austria/Germany	0.88	0.09	0.02	0.99
Nordics	1.16	2.18	0.14	3.48
Poland/Baltic States	0.28	0	0.77	1.05
Other	1.51	4.29	1.5	7.30
Non-EU	0.38	0.32	3.82	4.52
Norway/Switzerland	0.23	0.19	0	0.41
Hong Kong/Macau	0.02	0.13	3.72	3.87
Other	0.13	0	0.11	0.24
Total	24.46	14.67	8.84	47.96

Source: QMS Processor Survey



Retail Prices

Consumer Prices Index (CPIH)

The general price level in the UK economy trended higher through 2017, with prices rising by around 3% between January and December for the second consecutive year. The year-on-year inflation rate opened 2017 at 1.9%, but quickly picked up to 2.3% in February and March before running at 2.6–2.8% for the remainder of the year. The rise in input costs seen by many firms in the second half of 2016, due to the global upturn in commodity prices plus the sharp fall in sterling, continued to pass through the supply chain and into retail prices as 2017 progressed.

After three years of food price deflation, the cost of food increased by 2.5% in 2017, marginally below the whole-economy inflation rate. Although farmgate and import prices for many agricultural products increased, heavy competition between UK retailers meant that much of this pressure was absorbed by the supply chain.

Food prices showed a general trend higher through 2017, similar to the headline inflation index. The year-on-year inflation rate for food also trended higher through 2017, averaging 0.5% in Q1, 2.3% in Q2, 2.9% in Q3 and then 4.3% in Q4.

All eight categories in the CPI food basket to show deflation in 2016 saw price recoveries in 2017, while fruit price inflation picked up from its 2016 rate. Meat prices showed the second-slowest increase of 1.8%. Having started the year in deflation, down 0.8% year-on-year in Q1, meat prices rose 1.6% in Q2, 2.4% in Q3 and 4% in Q4.

Beef and veal retail prices rose at the beginning of 2017 and then stabilised for the rest of the year. As well as following a stable trend, they averaged little different from 2016, up 0.3%. Beef prices averaged lower than in 2016 during the first half of the year, before proving one to two per cent dearer than a year earlier in the second half. On average, beef

Annual CPIH inflation (%)			
	2015	2016	2017
CPIH	0.4	+1.0	+2.6
Food	-2.8	-2.4	+2.5
Meat	-3.1	-4.1	+1.8
Beef and veal	n/a	-2.7	+0.3
Lamb	n/a	-1.7	+4.4
Pork	n/a	-5.3	+1.5
Poultry	n/a	-6.1	-1.2
Edible offal	n/a	-0.7	+1.1
Dried, salted or smoked meat	n/a	-5.9	+3.0
Fish	-3.5	-2.3	+8.9
Milk, cheese and eggs	-4.4	-3.4	+2.0
Ready-made meals	n/a	-1.0	+3.7
Restaurants and cafes	+1.7	+2.3	+2.9
Fast food and take away food	n/a	+2.1	+3.1

Source: ONS

retail prices tend to be stable for long periods – in 2017, this meant the supply chain absorbing significantly higher farmgate prices.

Lamb retail prices drove the overall level of meat price inflation higher in 2017. The index for lamb and goat rose by around 5% between January and December, with notable lifts in February and October. Prices were little different from a year earlier in Q1 before rising 2.7% in Q2. The second half of the year saw more significant inflation as higher farmgate prices in both the UK and New Zealand were passed on to consumers. Prices rose 5.9% in Q3 and 8.6% in Q4, taking the annual average 4.4% above 2016 levels.

Pork retail prices lacked overall direction during 2017. However, they did average 1.5% above 2016 levels, mainly down to significant single month falls in May and December of 2016, which placed downwards pressure on the 2016 average to compare against. This 1.5% increase diverged significantly from farmgate prices, which climbed by more than a fifth in 2017.

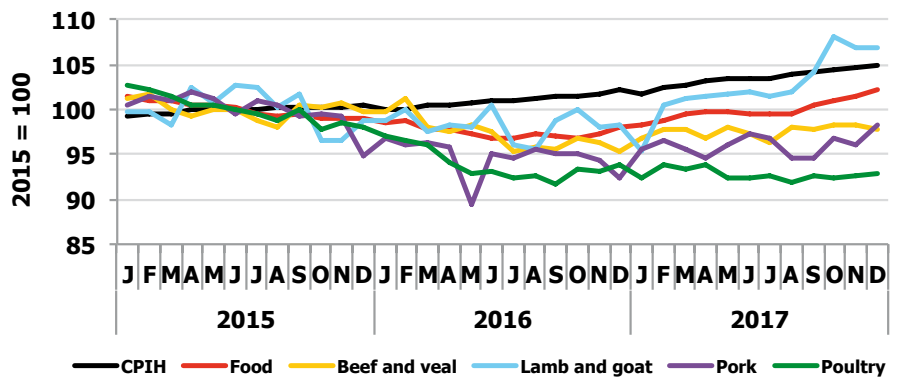
Edible offal prices were flat for the first half of the year, then dipped back in the third quarter. However, a small upwards trend in 2016 meant a lower base to compare against for the first half of the year and a 1.1% higher average price in 2017.

After falling for the first three quarters of 2016, the price of dried, salted or smoked meats recovered in Q4 2016 and this continued in 2017. As a result, cured meats opened 2017 around 1% cheaper than a year earlier, but finished it 5–7% more expensive. This may reflect the steady pass-through of higher raw material prices.

While dairy prices rose at a similar pace to the all-meat average, fish became significantly more expensive in 2017, but eggs and poultry were around 1% cheaper, gaining competitiveness against meat.

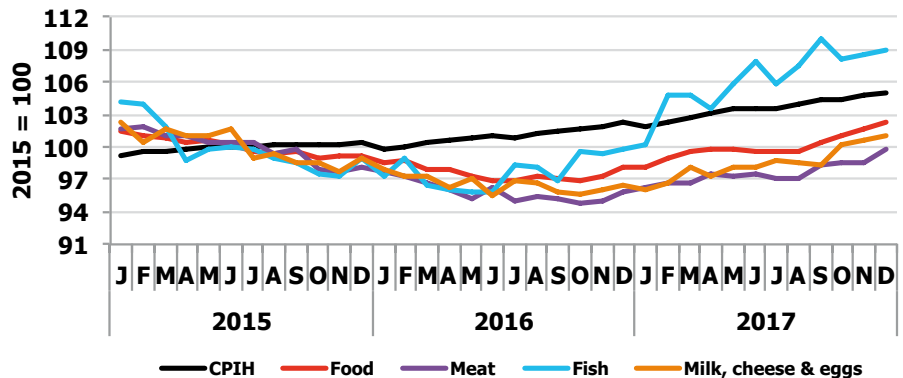
After cooling in 2016, the price of ready meals recovered strongly in 2017, as firm demand enabled higher raw material costs to be passed on. Meanwhile, inflation rates in the food service and catering sectors, which tend to be more reflective of general economic forces such as wage costs rather than raw materials, lifted from 2% to 3%.

Meat Price Inflation (CPIH)



Source: ONS

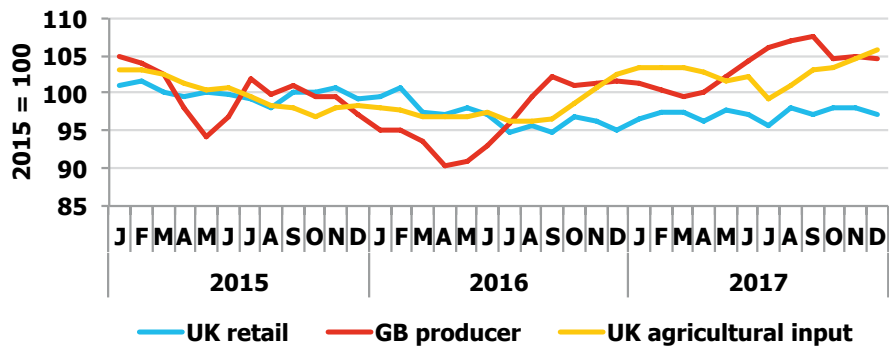
Protein Price Inflation (CPIH)



Source: ONS

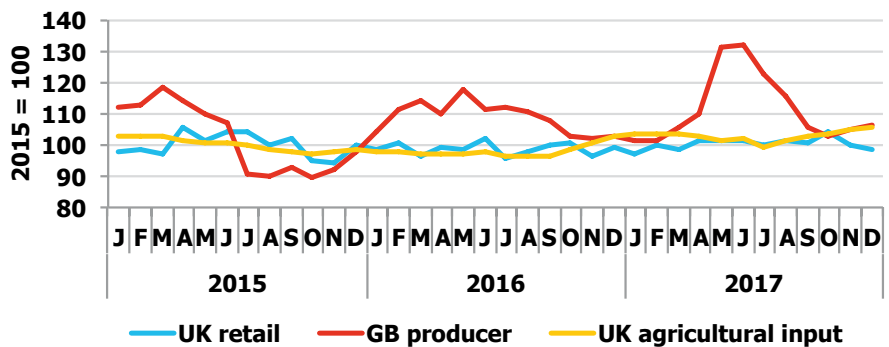


Index of input costs and producer and retail prices for beef



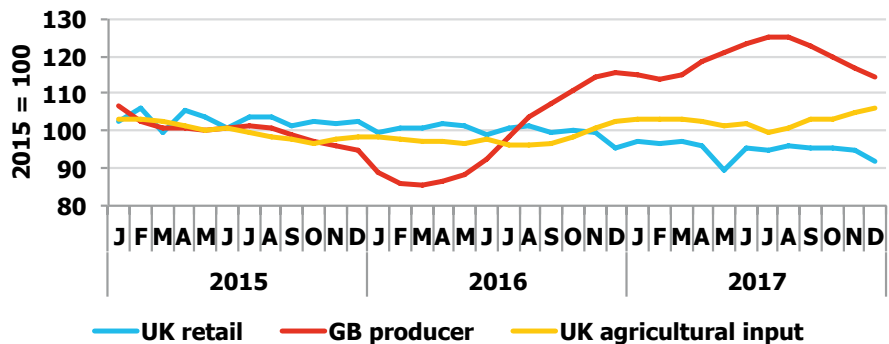
Sources: AHDB; Defra(2018a); ONS

Index of input costs and producer and retail prices for lamb



Sources: AHDB; Defra(2018a); ONS

Index of input costs and producer and retail prices for pork



Sources: AHDB; Defra(2018a); ONS

Consumption and Use

Product available for consumption

The total volume of beef available for consumption in the UK is estimated to have risen by 0.6% to reach a 30-year high of 1.11m tonnes in 2017. Domestic production fell 1.3% (-11,800t), but this was more than offset by higher imports (+12,900t) and lower exports (-6,100t)³. Imported beef accounted for 31% of total supply, up from 30% in 2016. Meanwhile, exports were equivalent to 14.9% of UK beef production, down from 15.3% in 2016.

The total volume of sheepmeat available for consumption fell for a second consecutive year, down 6.1% to an estimated 304,200t in 2017. A rise in domestic production of 2.6% (+7,900t), to reach an 8-year high, was more than offset by a 13.1% decline in imports (-15,200t) and export-growth of 13.9% (+12,700t). Imported sheepmeat accounted for 33% of annual supplies compared with 35.6% in the previous year – their lowest

share since 1991. The export share of UK production recovered by 3.3 percentage points to a three-year high of 33.7%.

Following three years of expansion, the total volume of pigmeat available for consumption is estimated to have decreased by 2.1% to 1.42m tonnes in 2017. Domestic production fell 2.2% (-19,100t) while imports edged up 0.3% (+2,100t) and exports grew 5.6% (+13,100t). Imports accounted for an estimated 56.5% of supplies, up from 55.1% in 2016 and a seven-year high, while the proportion of domestic production exported rose 2.1 percentage points to a record high of 28.7%.

Combined beef, lamb, pork and poultry supplies contracted by more than 2% in 2017 to 4.85m tonnes. Red meat supplies decreased by 1.5% to 2.84m tonnes, but with poultry decreasing 3.1%, red meat took a slightly higher 58.5% share of the combined total.

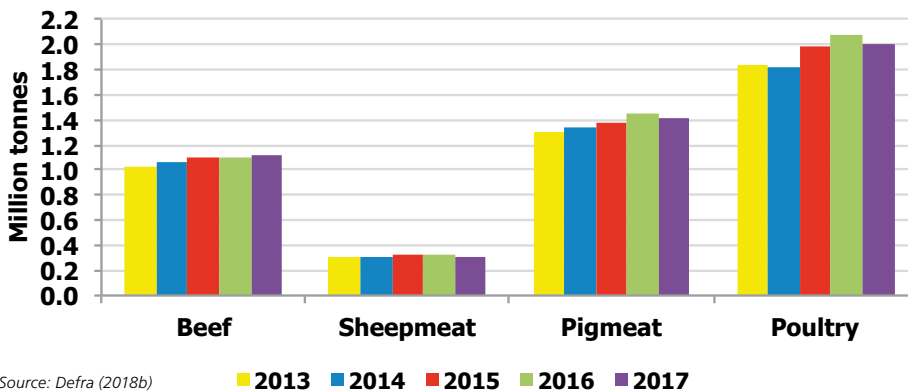
Retail Consumption

It is estimated that the volume of prime beef cuts (e.g. steaks, roasts and mince) sold by multiple and independent retailers to UK households in the 52 weeks to December 31 2017 totalled 300,600t. This was up by 0.1% year-on-year. This estimate is based on GB data from Kantar Worldpanel, plus an estimate for Northern Ireland. Within the beef offering, there was a shift away from roasts towards steaks. In Scotland, consumption rose by 2.1% to 29,300t. Given that total UK beef supplies rose by less than 1%, a faster rate of retail sales growth indicates that either volumes used in food manufacturing and foodservice fell back or cold store stocks were run down. Kantar Worldpanel data for processed beef products, such as ready meals, burgers and steak pies, points to a small increase in 2017.

At an estimated 69,200t during the 52 weeks to December 31 2017, UK retail sales of lamb fell by 9.3% year-on-year. Scottish consumption volumes are estimated to have fallen at a slightly slower rate of -7.3%, slipping to 3,500t. Since UK retail sales fell faster than total supply, it suggests increased use elsewhere and/or a higher carryover of product into 2018. Kantar Worldpanel figures indicate a sharp decrease in sales of lamb-based ready meals during 2017, following a big increase in the previous year.

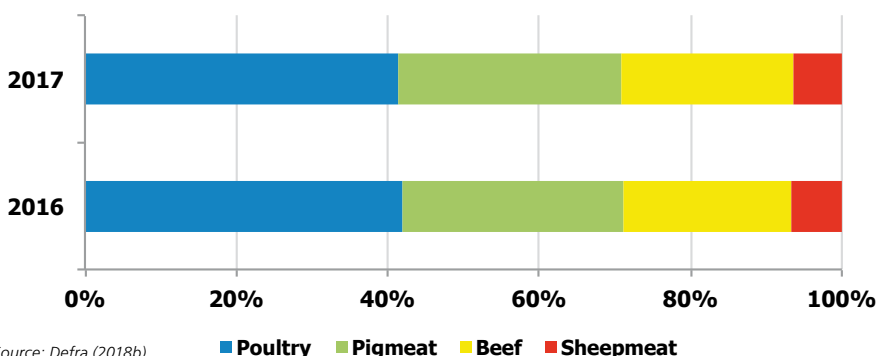
During the 52 weeks to January 1 2017, it is estimated that 169,100t of pork was retailed across the UK. Compared to a year earlier this was a decline of just over 2.5%. In Scotland, consumption is estimated to have fallen by 1.3% to 9,700t. Kantar Worldpanel data suggests slightly higher sales of numerous processed pigmeat products, including bacon, pork pies and sausage rolls.

Annual UK meat supplies



Source: Defra (2018b)

Annual share of UK meat supplies



Source: Defra (2018b)

³Import and export volumes include processed products and live animals, and are converted from product weight into carcase weight equivalent.

According to Kantar Worldpanel, bacon sales in the UK are around 30–35% higher than those of pork. If this is factored in, retail sales of fresh and frozen cuts of pigmeat could be 25–30% of total pigmeat supply.

Per Capita Supplies

On a per head of population basis, the volume of red meat plus poultry available for consumption in the UK is estimated to have fallen by 2.2kg in 2017 to 73.3kg. Meat supply fell while the population is estimated to have risen further. In Scotland, the estimated fall was a third smaller than for the UK as a whole, at 1.4kg, helped by growth in beef consumption.

In 2017, UK per capita supply is estimated to have remained stable for a third year for beef, fallen back for a second year for sheepmeat, and decreased for the first time in three years for poultry and in four years for pigmeat.

In Scotland, evidence from Kantar Worldpanel and Defra's annual Household Food Survey indicates that whereas beef consumption per person is higher than in the rest of the UK, it is much lower for sheepmeat and pigmeat.

Self-sufficiency

While abattoir beef production was estimated at 149% of potential consumption in Scotland during 2017, and sheepmeat production at 191%, pigmeat was estimated to have covered only 23% of national supply.

UK beef production was equivalent to 81.1% of available supplies in 2017, down from 2016's 82.7% but above its recent low point in 2015. Meanwhile, the UK became an estimated net exporter of sheepmeat in 2017, with production rising from 92% to 101% of supplies. Pigmeat production remained at 61% of supply.

Seasonal shifts in supply and demand lead to considerable variation in self-sufficiency for beef, lamb and pork, and for different cuts, during the calendar year. For example, March and April account for around 15% of annual sheepmeat production, but 25% of consumption, and, over this period, sales of lamb leg roasts are often four times their normal volume.

	Retail sales volume (t)	Total supply (t)	Retail sales as a proportion of total meat supply
Beef	300,600	1,111,500	27.0%
Lamb	69,200	304,200	22.8%
Pork	166,500	1,419,900	11.7%

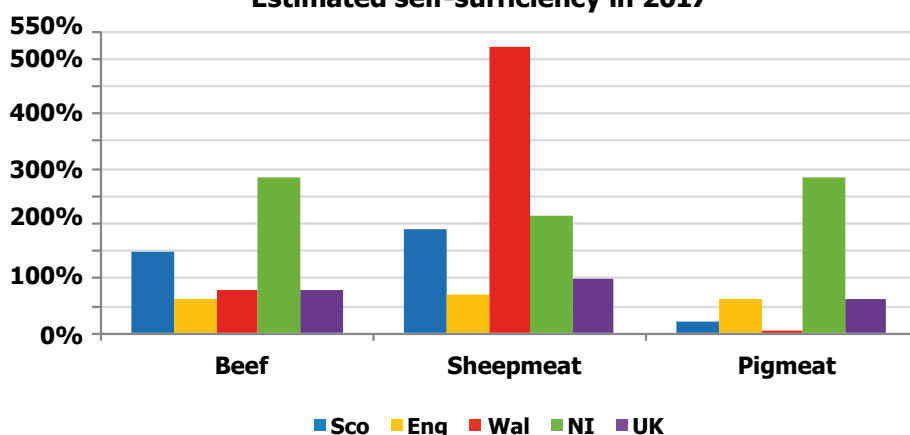
Sources: QMS calculations based on data from Defra (2018c) and Kantar Worldpanel

Per Capita Supplies

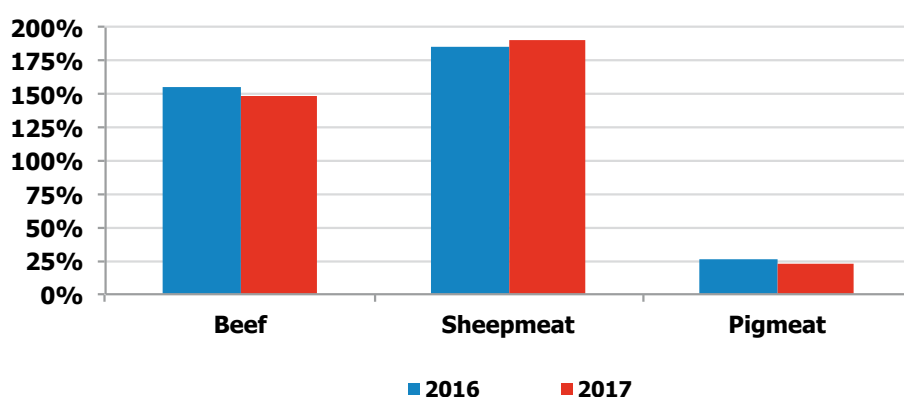
Kg per person	Beef	Sheepmeat	Pigmeat	Poultry	Total meat
2016 UK	16.8	4.9	22.1	31.6	75.5
2017 UK	16.8	4.6	21.5	30.4	73.3
2016 Scotland	20.5	2.4	17.4	29.6	69.8
2017 Scotland	20.7	2.3	17.0	28.4	68.4

Source: QMS calculations; data from DAERA, Defra, HCC, Kantar Worldpanel, ONS, and the Scottish Government

Estimated self-sufficiency in 2017



Estimated self-sufficiency in Scotland



During 2017, Scottish self-sufficiency in beef is estimated to have fallen due to the combination of consumption growth and lower production. For pigmeat, self-sufficiency fell as imports needed to increase during the three months of

reduced abattoir capacity. By contrast, sheepmeat self-sufficiency rose slightly as consumption fell by less than production. A rising Scottish population had a marginal downwards impact on self-sufficiency estimates for the three species.

UK Overseas Trade

Detailed import and export data for red meat sales into and outside of Scotland are unavailable separately from UK figures. Consequently, this section summarises HMRC trade data for the UK as a whole and reflects the trade environment in which Scottish producers and processors operate.

Total red meat imports are estimated to have fallen by 1% in 2016 to 961,700t. Meanwhile, supported by a favourable currency, exports rose for a second year, up 5% at 427,000t. The EU accounted for 77% of exports by volume and 86% by value, while 91.5% of imports for 84% of the value arrived from the EU.

Imports

Beef

Beef imports to the UK rose by 3% in 2017 to reach a three-year high of 251,400t. This was 1.5% above the 2013 to 2017 average. Imports fell marginally in the first half of the year but rose 7% in the second half.

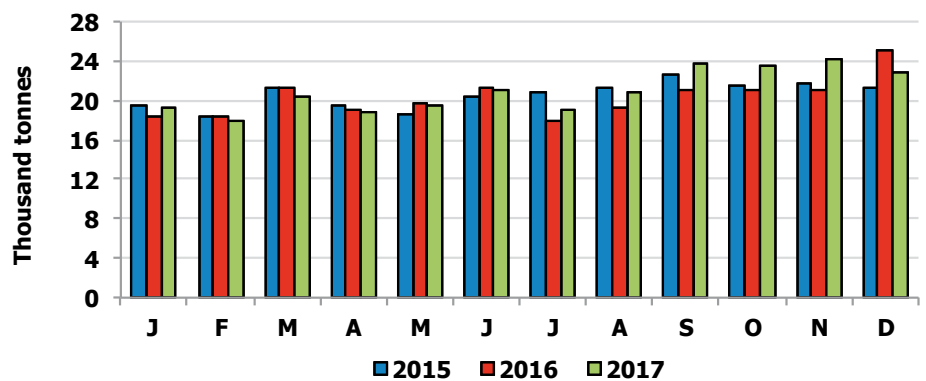
There was a continued rebalancing of imports as frozen beef imports rose by 8% to 72,600t while deliveries of fresh product were 1.5% higher at 178,700t. Frozen product rose to 28.9% of imports from 2016's 27.6%.

Imports from EU countries increased by 6% in 2017 to reach 236,300t. This was 94% of total imports, up from 91% in 2015. The average value per tonne imported edged 1% higher to £3,700/t.

Fresh boneless cuts accounted for 50.4% of beef imports from the EU, down from 52.9% in 2016. Meanwhile, frozen boneless cuts raised their share from 24.6% in 2016 to 27% in 2017, fresh carcasses and half-carcasses stabilised at 14.4%, and fresh bone-in cuts edged 0.2 percentage points higher to 6.4%.

Deliveries from Ireland rose by 6.7% to 182,100t in 2017. Of this total, 133,800t (73.5%) was fresh beef - a year-on-year increase of 2.4% - while frozen shipments rose 20.5% to 48,200t. Ireland's share of the UK's beef imports lifted by 2.3 percentage points to 72.4%. Whereas imports from the Netherlands fell by 4% to 16,600t in 2017, shipments from Poland rose by 28.4% to almost match Dutch volumes. Imports from Germany declined by 3.7% to 9,400t.

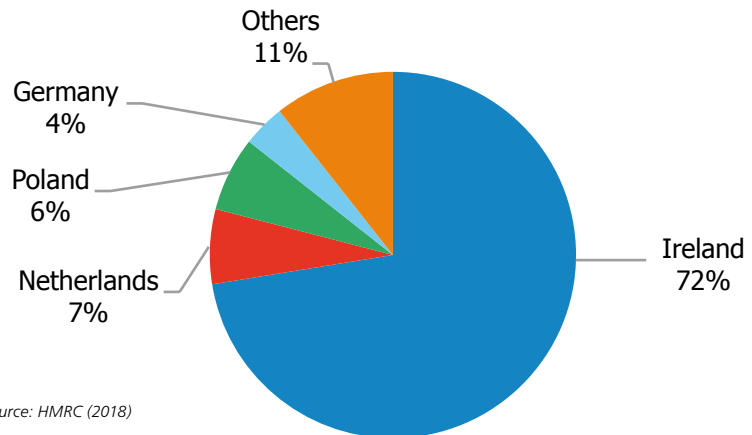
UK beef imports



Source: HMRC (2018)

Imports of beef from non-EU countries fell significantly for a fourth consecutive year in 2017, down 30% at 15,000t. Deliveries from most of the main non-EU suppliers fell by 30-50%, including Brazil, Australia, Namibia, Uruguay, while Botswana shipped 3% less beef than in 2016.

Suppliers of beef to the UK in 2017



Source: HMRC (2018)

Sheepmeat

UK sheepmeat imports fell for the fourth successive year in 2017. The rate of decline accelerated to -13.7% with volumes slumping to a 21st century low of 75,500t. During Q1 – the peak period for imports – volumes contracted by a quarter, before sliding by around 5–10% for the remainder of the year.

Spring is the peak importing period for the UK, as domestic product is less readily available and consumers like to buy leg roasts. Kantar Worldpanel data indicates that retail consumption of leg roasts in the four weeks to April 23 2017 totalled 6,500t. If a leg roast weighs an average of 2kg, this works out at a requirement of 1.62m prime sheep. Similarly, at Christmas, 4,300t of leg roasts were retailed in the four weeks to December 31 2017, requiring 1.08m lambs. In a four-week period during the spring, UK abattoirs slaughter around 900,000 prime sheep, pushing up to around 1.1m in December. With domestic supply unable to meet demand, imports are required. Even if domestic production did cover Easter requirements for leg roasts, achieving carcass balance would be challenging.

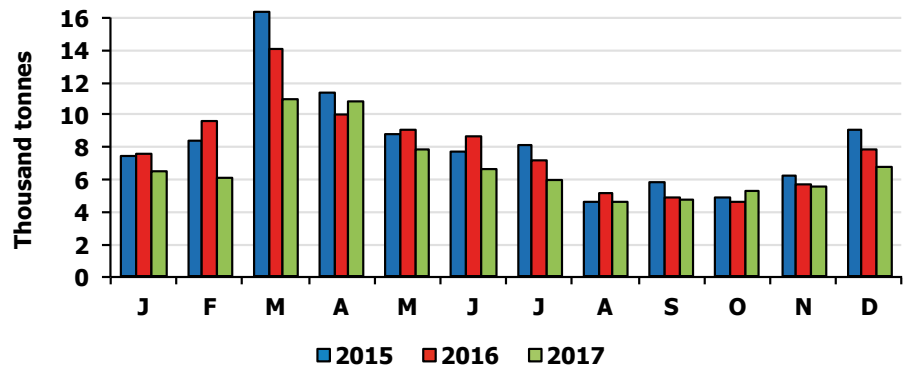
With Easter moving back to mid-April in 2017 from late March in 2016, sheepmeat imports arrived later than in 2016, resulting in a sharp fall in February and leading to the arrival of similar volumes in March and April.

New Zealand (NZ) saw its dominance of UK sheepmeat imports fall back significantly in 2017. A decline of 22% to 52,200t meant that NZ accounted for 69.2% of imports, compared with 76.4% in 2016 and a 2013–17 average of 72.6%.

Imports from Australia fell for the third consecutive year in 2017, down 6% at 10,800t.

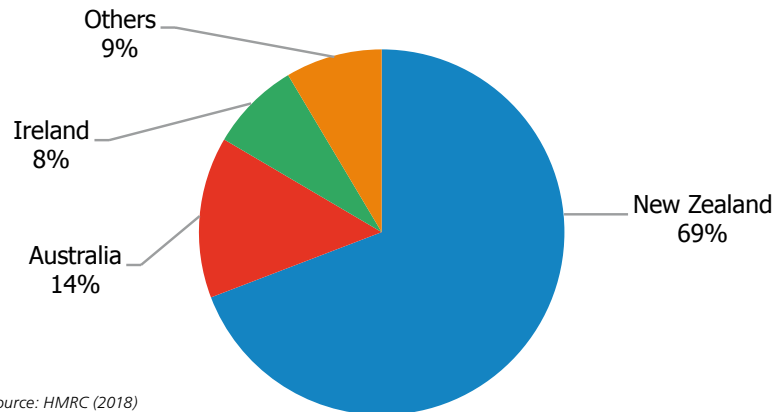
However, this saw Australia's share of UK imports rise by 1.2 percentage points to 14.3%. It should be noted that deliveries from Australia are restricted by an EU quota for tariff-free access of only 19,186t per year.

UK sheepmeat imports



Source: HMRC (2018)

Suppliers of sheepmeat to the UK in 2017



Source: HMRC (2018)

Imports of sheepmeat from Ireland rose by a quarter in 2017 to reach a three-year high of 6,000t. With regard to smaller suppliers, trade with the Netherlands surged from June onwards while Iceland made further inroads into to the UK market.

Pigmeat

According to HMRC data, UK pigmeat import volumes fell by 0.8% in 2017 to 634,600t. Volumes rose relative to 2016 between January and May, before declining for the remainder of the year. Imports exceeded their five-year average by 3.1%.

Breaking pigmeat imports into fresh and frozen pork, and bacon and ham, shows that deliveries of the former increased by 5.7% to 428,100t while shipments of the latter fell for the third successive year, down 12% at 206,500t. As a result, pork accounted for 67.5% of pigmeat imports compared with 63.3% in 2016.

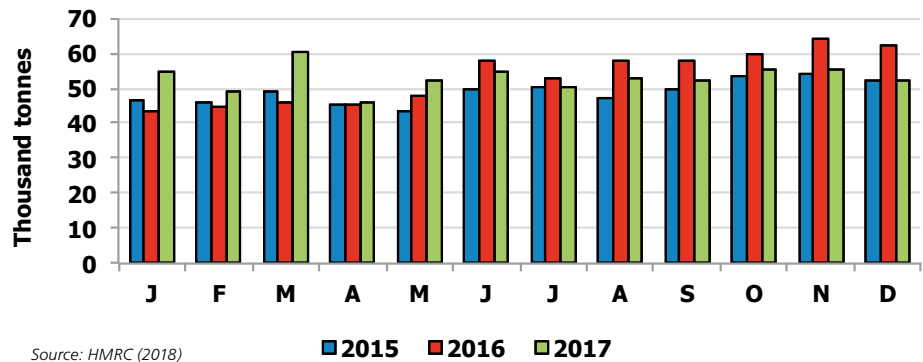
Imports from Denmark are reported to have risen by a further 5.3% in 2017 to reach 165,700t, maintaining a 39% share of the total.

Imports from the second and third largest suppliers, Germany and the Netherlands, rose ahead of the overall total, up 8% and 14% respectively, to reach 73,900t and 51,700t. This pushed up the Dutch share by one percentage point and the German share by two points.

The Netherlands replaced Denmark as the principal supplier of bacon and ham to the UK in 2017. Imports rose by 8% to 94,800t, whereas deliveries from Denmark contracted by 37% to 58,200t. This saw the Dutch share rise from 37.5% to 46% while the Danish share slipped from 39.5% to 28%.

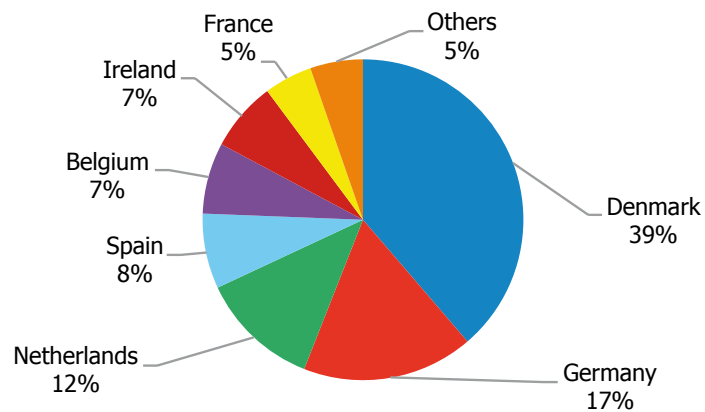
Imports of bacon and ham from Germany fell by 2% in 2017, slipping back to 35,300t. However, this saw Germany's share of the total rise by 1.5 percentage points, reaching 17%.

UK pigmeat imports



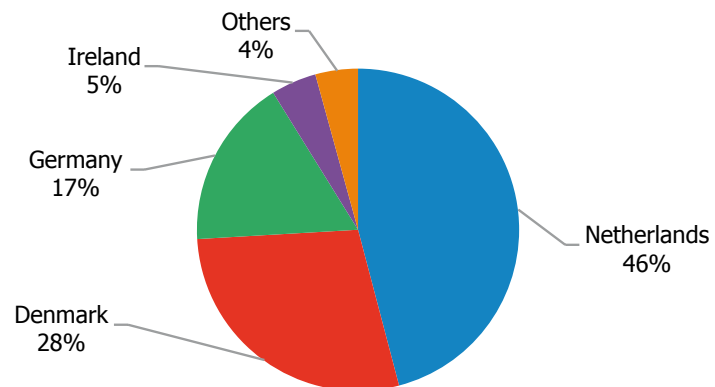
Source: HMRC (2018)

Suppliers of pork to the UK in 2017



Source: HMRC (2018)

Suppliers of bacon & ham to the UK in 2017



Source: HMRC (2018)

Exports

Beef

After rising strongly in 2016, UK beef exports fell back by 3.2% in 2017, slipping to 105,150t. Performance relative to 2016 did improve through the year, starting off with an 8% fall in Q1, then 4% in Q2 and 1% in Q3, before edging higher in Q4.

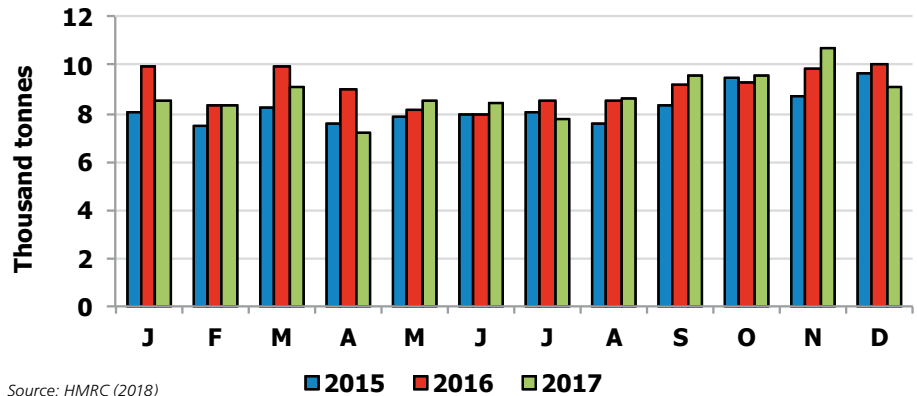
During 2017, 86.4% of the UK's beef exports went to the EU, down from 89% in the year before. The volume shipped to the EU declined by 6.1% to 90,900t. However, the average export price increased by 15.6% to £3,980/t, pushing up export revenues by 8.5%. Fifty-eight per cent of exports to the EU were in the form of fresh boneless cuts, the same proportion as in 2016, while frozen boneless cuts remained at 17%. Fresh carcasses/half-carcasses edged back to 15% of shipments.

Ireland remained the largest UK export market for beef in 2017. However, exports fell by 4.9% to 34,200t, leaving Ireland with a slightly smaller 32.5% share of the total. In addition to product destined for retail, exports to the Irish Republic reflects cross border movements of beef between Northern Irish abattoirs and cutting plants in the Republic for further processing. The Netherlands remained the UK's second largest export destination, but volumes slipped by 9.7% to 23,400t, lowering its share by 1.7 percentage points to 22.2%.

With regard to other significant European markets, exports to France and Italy declined, but sales to Belgium, Germany and Sweden grew.

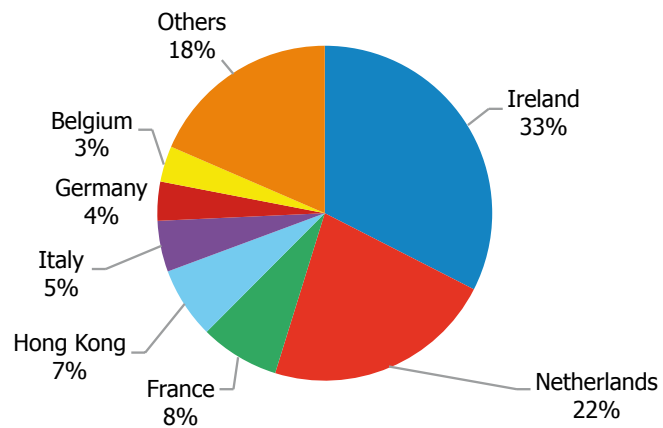
On the back of a near-50% increase in 2016, the UK's beef exports to non-EU markets rose by a fifth in 2017 to reach 14,200t. Just over half of this went to Hong Kong, making it the UK's fourth largest export destination by volume.

UK beef exports



Source: HMRC (2018)

UK beef exports 2017



Source: HMRC (2018)



Sheepmeat

UK sheepmeat exports rebounded in 2017 following three years of declines. A 14.6% increase took volumes back to a three-year high of 89,400t. The later timing of Easter saw year-on-year export growth peak in April.

UK sheepmeat exports to the EU rose by 12.3% to 83,900t in 2017, which was 94% of the annual total compared to 96% in 2016. Trade was underpinned by a weaker sterling as a 3.7% lower price in euro terms converted back into a 3% higher sterling unit price.

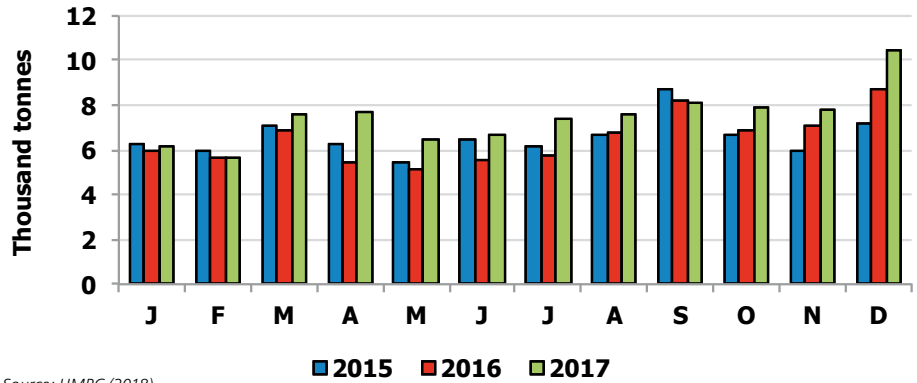
Carcases and half-carcases accounted for 65.5% of the UK's sheepmeat exports to the EU during 2017, down from 68.2% in 2016. Meanwhile, bone-in cuts of sheep rose from 23.1% of the total in 2016 to 25.6% in 2017.

France remained the UK's largest sheepmeat export destination in 2017. However, its share of the total continued to slide as export volumes only edged 0.6% higher to 40,700t. The French share slipped to 45.5% in 2017 from 51.8% in 2016.

Exports to other significant EU markets rose strongly in 2017. There was a 27% expansion in trade with Germany – the second largest market – to 14,000t, while deliveries to Belgium and Ireland rose by 17–18%; there was a 13.5% increase into Italy; and the Netherlands was up 62% on 2016 levels.

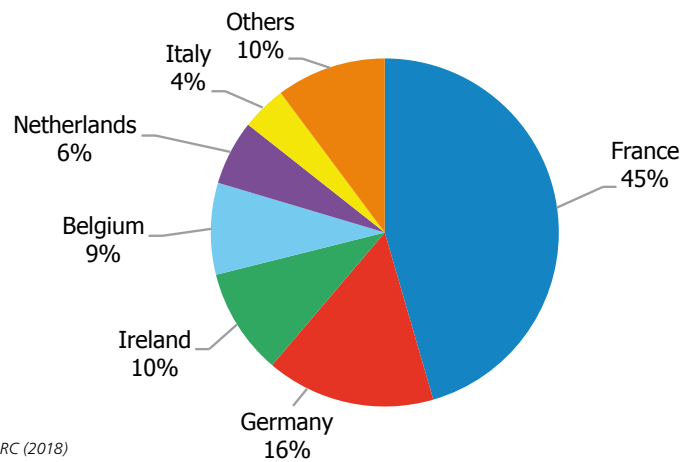
There was a strong recovery in UK sheepmeat exports to non-EU countries in 2017. Shipments rose by just over two-thirds to 5,500t, of which 69.4% (3,800t) was delivered to Hong Kong – a lift of three percentage points from 2016.

UK sheepmeat exports



Source: HMRC (2018)

UK sheepmeat exports in 2017



Source: HMRC (2018)



Pigmeat

The year 2017 was the fifth consecutive year of pigmeat export growth for the UK. Volumes rose by 5.9% to 232,500t. Exports fell in Q1, rose modestly in Q2 and then grew by 12% in the second half.

Exports of fresh and frozen pork rose for an eighth year, up 4.8% at 213,400t, while bacon and ham shipments – of which most went to the Irish Republic - increased by 21.4% to 18,500t. This meant that bacon and ham's share of total pigmeat exports picked up to 8% after four years at around 7%.

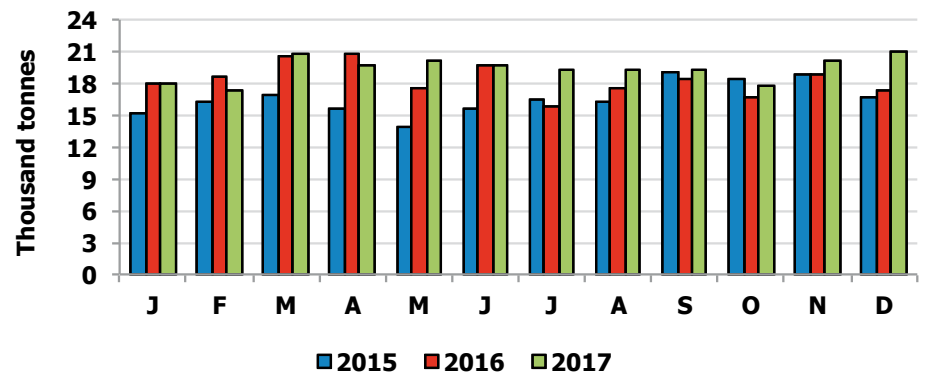
UK pork exports to the EU rose by 5.7% in 2017 to reach 137,000t. This was 64% of total shipments compared to 63.4% in the previous year. Underpinned by a weaker sterling and a recovery in the value of pigmeat on the EU market, the average value of UK exports to the EU rose by 15.8% to £1,415/t.

Fresh boneless cuts remained the most common product type exported to the EU. However, their share slipped back by 6.1 percentage points to 34.4%. Carcasses and half-carcasses (mostly sows) also decreased in importance, sliding from more than 27% in 2016 to less than a quarter in 2017. By contrast, the share of frozen boneless cuts rose by 1.8 points to 27.1%, and bone-in cuts raised their share from 6.8% to 13.7%.

Germany, Ireland, Denmark and the Netherlands accounted for a combined 50.6% of pork exports, down from slightly from 51.1% in 2016. Whereas exports to Denmark rebounded, up 35% on 2016, deliveries to Germany steadied and they fell back by 7% to Ireland and 11% to the Netherlands.

There was a 2.8% expansion in UK exports to non-EU countries in 2017, with volumes reaching 77,000t. Frozen boneless cuts of pork accounted for 87% of this trade. Sales to the largest non-EU market, China/Hong Kong, rose by 2.7% to 52,200t and accounted for 68% of non-EU exports and almost a quarter of all pork sales.

UK pigmeat exports



Source: HMRC (2018)



Growing markets outside the EU included Japan, Korea, South Africa and the Philippines, but sales to the US, Côte D'Ivoire and Australia contracted.

Despite rising by a fifth to reach 13,700t, sales of bacon and ham to the UK's main export destination – Ireland – dropped to 74% of total shipments from 75% in 2016.

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