

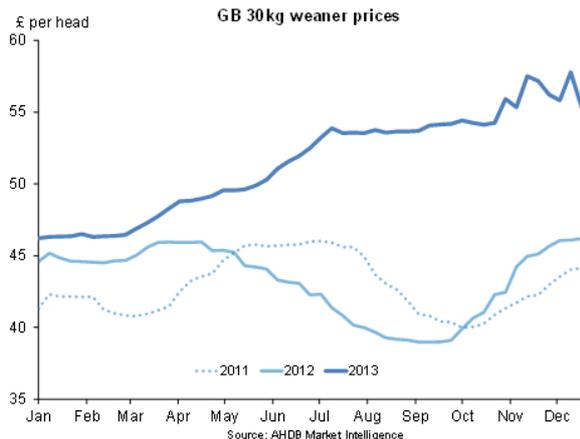
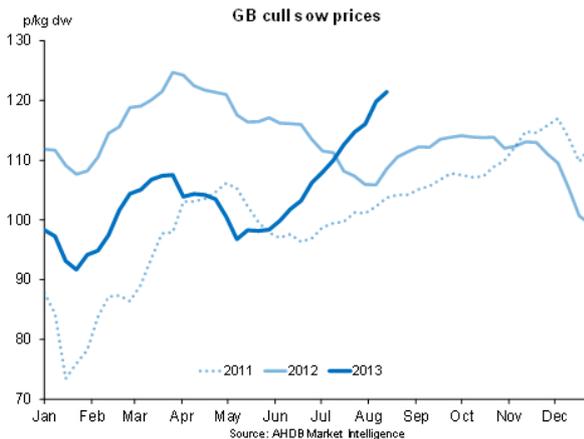
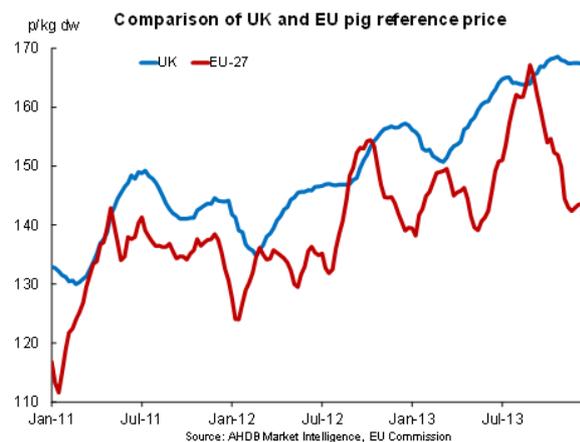
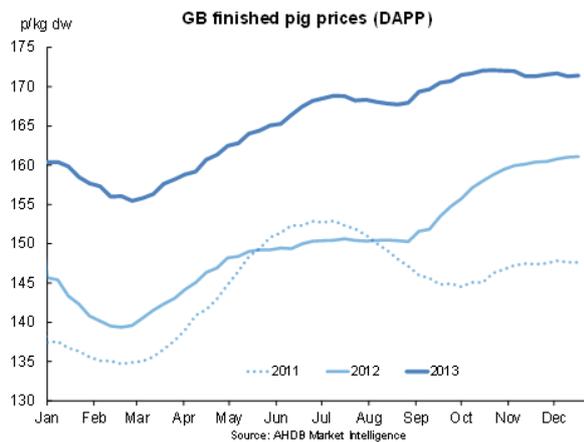


## United Kingdom Pig Meat Market Update

January 2014

### UK PRICES

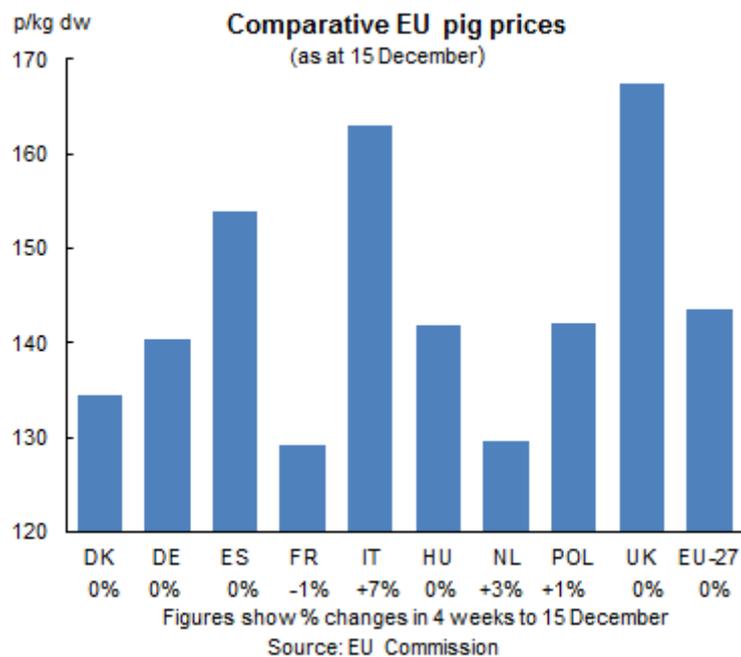
The UK finished pig market remained well balanced in November with the EU-Spec DAPP averaging 171.56p per kg. The monthly figure recorded a marginal month-on-month fall but remained the second highest ever. In spite of relatively tight supplies, falling EU prices prevented any significant rise in GB pig prices. However, the finished pig price was 11p per kg higher compared with the same month in 2012. The market remained well balanced in early December, with increased seasonal demand met by higher supplies as pigs were marketed ahead of the holidays. In the week ended 21 December, the EU-spec DAPP stood at 171.41p per kg.



The 30kg weaner market strengthened in November as the month's average reached £56.60 per head. This was over £2 per head higher than the previous month. It might be worth noting that there was a change in methodology in the last week of October so the prices may not be directly comparable. The annual difference showed that breeders were paid almost £12 per head more compared with November 2012. In contrast, the 7kg weaner prices remained somewhat subdued at £42.93 per head, with only a marginal month-on-month increase in November.

## EU PRICES

EU pig prices continued to fall through most of November and averaged €171.29 per 100kg. A similar trend was evident last year but this year pig prices began dropping earlier. As a result, finished pig prices in the EU fell below last year's level in late September and this remained the case in November. The trend reversed at the start of December when pig prices edged up for the first time in three months. This meant that the annual price gap narrowed in recent weeks but the EU average price dipped again in the week ended 17 December, to stand at €171.04 per 100kg, still €3 lower than a year earlier.



Average prices fell between October and November in all member states except the UK and Ireland. However, Irish prices fell sharply in the second half of the month, as export markets became more challenging. The recent movements in the EU pig market reflected developments in some of the key markets, including Germany, the Netherlands, Italy and Poland. Danish and French prices were more stable but experienced some downward movement. Prices in Spain rose in December but had fallen more rapidly during November than those in most other Member States.

Given the stability in UK pig prices, the gap between UK and EU pig prices remained fairly steady from mid-November onwards but in the latest week there was a marginal contraction of the gap to €28 per 100 kg, helped by a stronger euro.

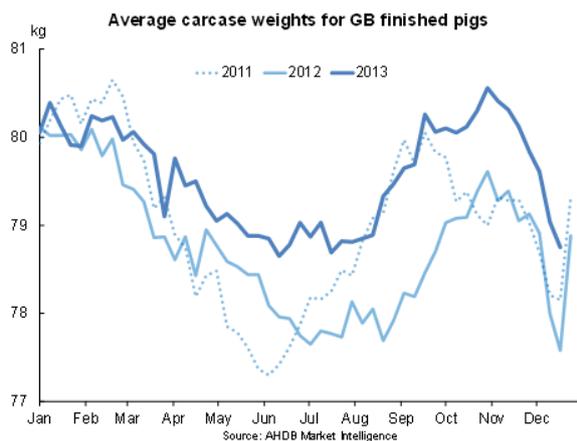
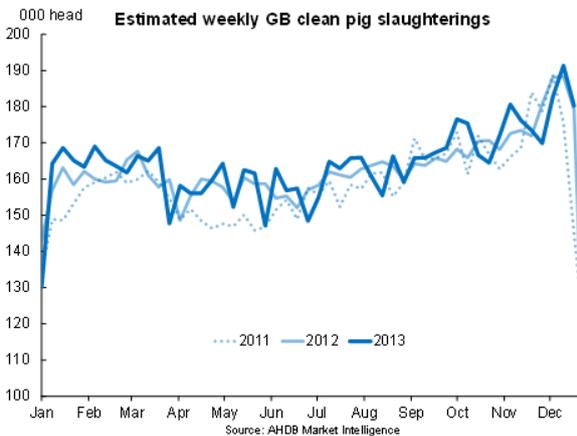
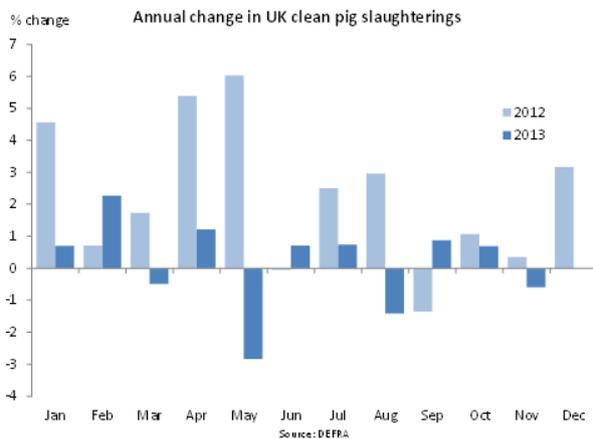
Cull sow prices have followed finished pig prices lower since late September. By November, the average German M1 sow price had declined by 12 cents since September to €1.44 per kg. Prices then rose until early December before falling again once pre-Christmas requirements were fulfilled. The price again stood at €1.44 per kg in week ended 15 December.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

Latest figures published for November indicate a small tightening of pig supplies. The number of clean pigs slaughtered in the month totalled 826,500 head. This was a 1% decline compared with the same month in 2012. A large part of this change was a result of a 5% decline in the number of pigs slaughtered in Northern Ireland. Throughputs in Great Britain were almost in line with last year's figures. Adult

slaughtering, including sows and boars, came down by 10% year on year. The difference in the sow market this year reflects the relative fall in feed prices compared with the previous year.

At 80.2kg, there was some stability in the average carcass weight in November compared with the previous month. However, this was 2% higher than the same month in 2012. Therefore, in spite of the decline in clean pig throughputs, pig meat production actually increased by 1% compared with November 2012 to total 69,100 tonnes.



According to the latest figures published by HMRC, UK pork imports strengthened slightly in October at 31,800 tonnes. This was a 2% rise from the same month last year. Trade was somewhat subdued by a 14% decrease in supplies from the primary market, Denmark, while imports from the Netherlands also came down by 4%. However, these falls were offset by growth of German shipments, which were up by a fifth compared with October 2012. The varying trends reflect the availability of supplies on the respective domestic markets. The 2% rise in imports of bacon was largely made up of higher Danish and German supplies. UK imports of processed products also increased, with a notable rise in supplies from Poland. However, there was lower availability of sausages from the continent as imports came down by 6% on the year.

At 17,100 tonnes, the UK exported 15% more pork in October this year compared with last year. Higher volumes were sent to all main markets but, in particular, Denmark purchased twice as much as in October 2012. This meant that it displaced China as the third largest market for the UK, with most shipments presumably intended for re-export. Exports destined for the two leading markets, Germany and Ireland, continued to grow but demand from China slowed with shipments little changed from last October. An increase was also evident in processed shipments and those of cured products, including

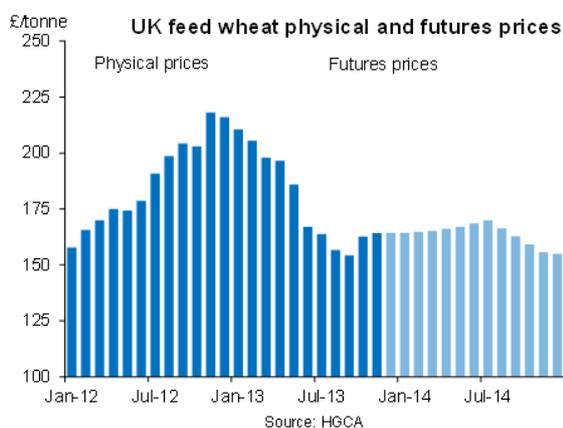
bacon. In contrast, pig offal exports declined sharply for the fourth consecutive month. This was a result of a slowdown in demand from both the EU and third countries.

## FEED MARKET

Ample global grain supplies continue to result in relatively stable prices across the globe. The UK feed wheat nearby futures price closed at £163.45/t on Wednesday 18 December, a decrease of less than 1% on the settlement price a month before. Prices generally remained calm and ranged from £162.80 to £165.40 during the month. Global wheat prices have declined recently due to stronger competition in the export market. Chicago wheat prices dropped to an 18-month low on 18 December as abundant supplies of cheaper wheat from other countries made the region less competitive. European wheat values, however, continue to hold up due to strong export demand, from countries like Iran, Morocco and Egypt.

The Chicago maize nearby futures price settled at \$167.32/t on 18 December, a 3% increase on the month. However, prices have fallen recently and are hovering around a three-year low, partly due to China rejecting US maize after discovering an unapproved GM strain. There is currently no major threat to drastically reverse the recent downward trend in grain prices. Thus, lower feed prices should provide support to lower costs of livestock production.

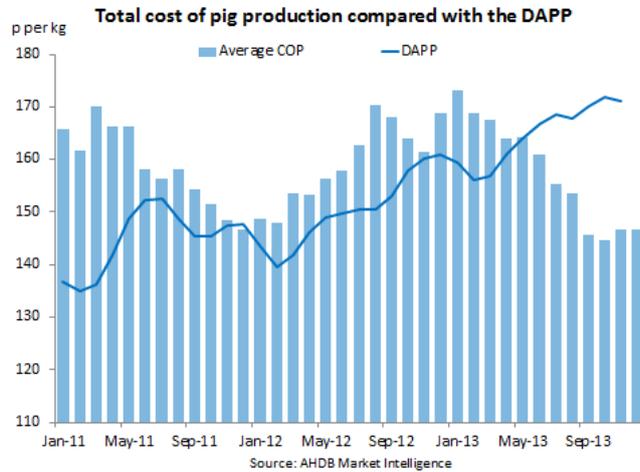
EU feed barley prices have also been stable due to good demand within the region. However, with the start of the Australian and Argentine harvests, it is expected that these countries will now become the major players in the international market. The impact of this for the feed sector is that a decline in demand for EU feed barley is likely. This could result in lower prices, as the region tries to remain competitive. In the UK, barley exports picked up considerably in October so that exports for the season so far (Jul-Oct) are now more than double the same time last year. However, with tougher competition expected, it is unlikely that the rapid export pace will be sustained, resulting in higher carry-over stocks, maintaining the wide wheat-barley price spread seen this winter.



The USDA revised 2013/14 global maize production higher by 1.5Mt to 964.3Mt (862.9Mt in 2012/13). Wheat production was revised up to 711.4Mt (656.2Mt in 2012/13). The wheat revision was mainly due to increases in Australian and Canadian estimates, following crop reports issued by both countries. Global use of wheat for feed continues to hold up, despite maize being relatively cheap. Wheat demand for feed is now estimated by the USDA at 138.8Mt, up 2% on last season while maize use is projected to increase by 10% to 566.8Mt.

The nearby Chicago soyameal futures price settled at \$486.30/t on 18 December, compared with \$458.30 a month before. Strong demand for soyameal continues to result in firm prices. In the UK, the Hi pro soyameal (Ex-store, East Coast) price for nearby delivery was £382/t as at 13 December, compared to 375/t about a month ago.

Soyabean production levels in South America remain on the higher side of expectations, due to generally good rainfall in the region. Planting was approximately 95% complete in Brazil as at 10 December while 66% of the estimated record Argentine soyabean area has been planted so far. On the flip side, demand expectations remain strong with the US Soybean Export Council estimating that exports to China will reach a new record.



With global cereals markets unusually stable of late, the average cost of pig production in December was little changed from the previous month at 146.6p/kg, according to provisional estimates. This is down just 0.2p compared with last month but is 22p lower than a year ago, when costs were close to their all-time high point. Previous estimates have been revised down slightly to take account of the latest physical performance data.

At their current level, production costs are very similar to those in December 2011 but pig prices are around 24p higher than they were then. Therefore, while producers were breaking even two years ago, they are currently experiencing positive margins of about £20 per pig. Although this has allowed them to start paying back recent losses, the cumulative deficit over the last three years still stands at £95 million. Margins will need to stay at current levels until at least the middle of next year for producers to be back in surplus.

## CONSUMPTION

Consumer spending on pork increased 6% during the 12 weeks to 10 November, according to figures from Kantar Worldpanel. Growth has been driven by volume gains of 3%, a welcome reverse to the trend seen in recent months. All cuts except leg and belly contributed to the category performance. Volume growth has been driven by younger consumers in particular.

Spending on bacon fell during the period, due to a 6% drop in the amount purchased. Fewer shoppers have been buying bacon and the remaining shoppers have been doing so less often. Dutch and Danish products have driven the decline, while British bacon has shown volume and value gains again this period. Sausages continue to record expenditure gains driven by price rises, while volumes purchased were 6% behind last year. Premium sausage growth has now slowed, while low fat sausages are a small bright spot, with purchases up 23%. Spending on cooked ham has increased 3%, supported by volume gains of 1%, ahead of the growth seen for other cooked meats.

In the latest four weeks, the gains for pork continued, with purchases up 3% and spending up 6% as a result. Chops and steaks performed well, with trip volumes ahead of last year. The fall in purchases of bacon accelerated, leaving spending 4% below last year, while sausage expenditure increased 9% despite a volume reduction of 7%.

## Trends in retail meat purchases (period ended 10 November 2013)

	4 weeks 2013/12			12 weeks 2013/12			52 weeks 2013/12		
	Q	E	P	Q	E	P	Q	E	P
	% change compared with a year earlier								
<b>Fresh and Frozen Meat, Poultry and Bacon</b>	<b>-3</b>	<b>+1</b>	<b>+5</b>	<b>-3</b>	<b>+3</b>	<b>+7</b>	<b>-2</b>	<b>+4</b>	<b>+6</b>
Pork	+3	+6	+3	+3	+6	+3	-3	+2	+6
<i>Belly</i>	-3	+0	+3	-10	-1	+10	-8	+1	+9
<i>Chops</i>	-2	+0	+2	-1	+3	+3	-11	-5	+7
<i>Steak</i>	+12	+9	-3	+5	+8	+3	-1	+2	+2
<i>Leg Roasting Joint</i>	-14	-12	+2	-3	-10	-7	-11	-11	-0
<i>Loin Roasting joint</i>	+20	+24	+4	+9	+10	+1	+9	+14	+4
<i>Shoulder Roasting joint</i>	-3	+12	+15	+4	+23	+18	-11	+1	+14
Pork Marinade	-2	+1	+4	+5	+4	-1	+15	+19	+4
Bacon	-8	-4	+3	-6	-2	+5	-4	-0	+4
Beef	-10	-1	+10	-5	+4	+9	-3	+4	+7
Lamb	+1	+3	+1	+6	+7	+1	+15	+9	-5
Poultry	+1	+5	+4	-4	+5	+9	-2	+6	+7
<b>Processed products</b>									
Pork Sausages	-6	+9	+17	-6	+10	+18	-4	+8	+13
Fresh Pre-packed Pork Pies	-6	-4	+2	-10	-3	+8	-11	-4	+8
Fresh Pre-packed Sausage Rolls	-5	+2	+8	-1	+12	+13	-8	+2	+11
Pork Chilled Ready Meals	+17	+17	+0	+5	+14	+8	+1	+14	+12
Pork Sliced Cooked Meats	-1	+4	+4	+1	+4	+3	+2	+2	+0

Q = quantity purchased, E = expenditure, P = price

Source: Kantar Worldpanel

This pig meat sector UK market update was prepared by:

Prisha Patel and Stephen Howarth

AHDB Market Intelligence

Phone: +44 (0)24 7647 8856/8758

e-mail: [stephen.howarth@ahdb.org.uk](mailto:stephen.howarth@ahdb.org.uk); [prisha.patel@ahdb.org.uk](mailto:prisha.patel@ahdb.org.uk)

Twitter: @HowarthStephen

The United Kingdom pig meat situation and outlook is analysed in more detail in "Pig Market Trends", published monthly. For further information, [click here](#).

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