



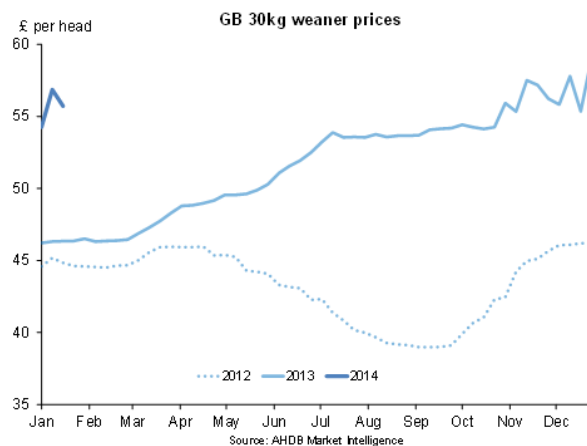
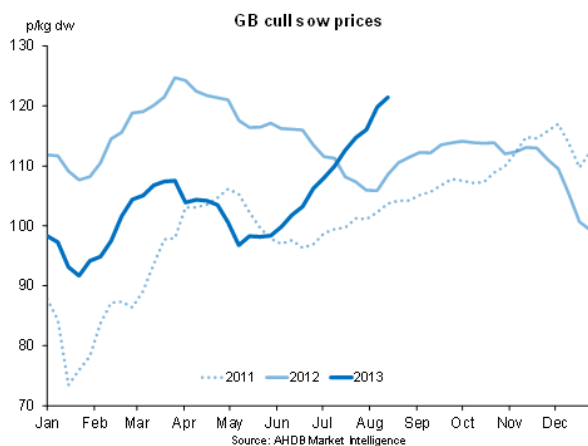
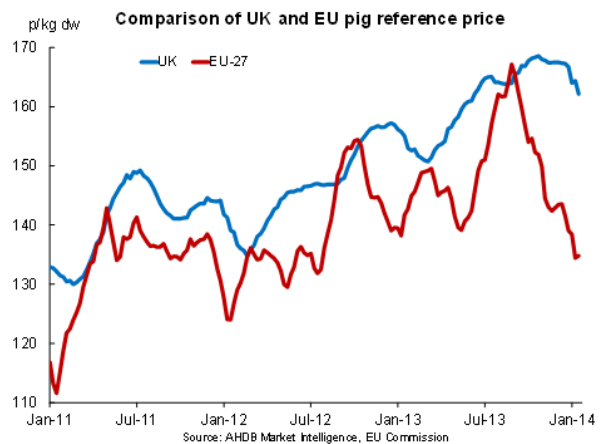
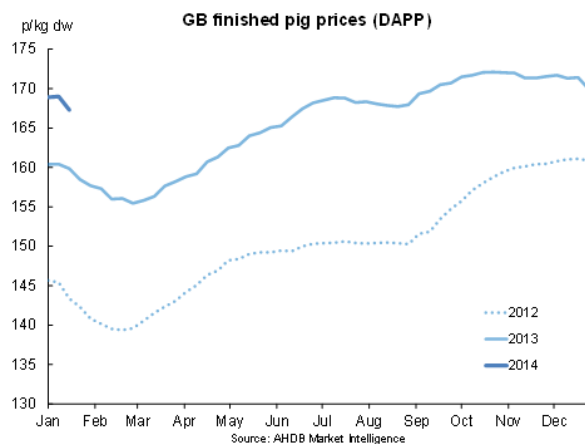
United Kingdom Pig Meat Market Update

February 2014

UK PRICES

GB finished pig prices were largely stable in the run up to Christmas, with the average price during December only marginally lower than the previous month at 171.31p/kg. However, prices have fallen since then, as is normal in the early part of the year, and by week ended 18 January, the EU-spec DAPP stood at 167.29p/kg. This was about 4p down on its level pre-Christmas but still over 7p above the same week last year. Subdued consumer demand post-Christmas and low EU prices have been suppressing quotes, despite pig supplies remaining relatively tight.

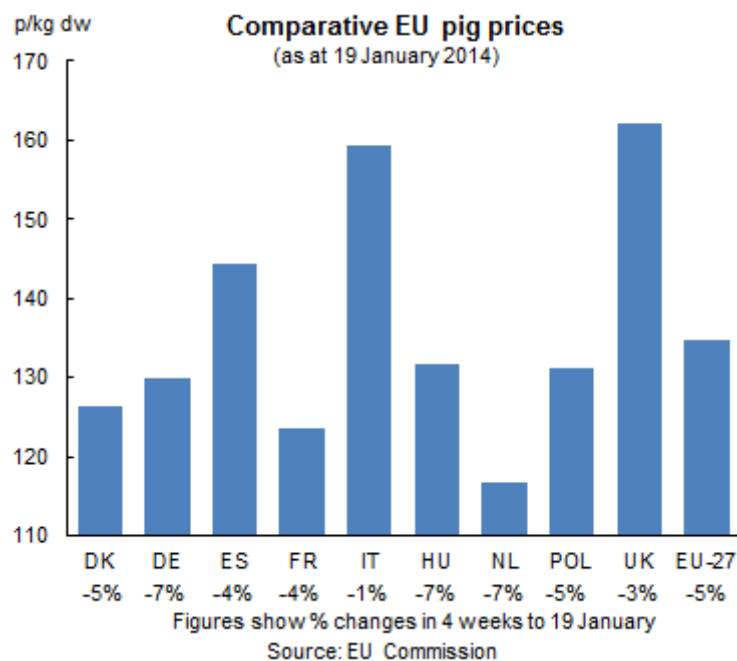
Having been higher throughout last year, carcass weights started 2014 at record levels, with the average for the first week of the year topping 81kg for the first time ever. This has mitigated lower slaughterings to some extent and contributed to the pressure on prices. The average weight of 79.16kg for pigs in the DAPP sample in December was around a kilo lower than in November, as producers pulled pigs forward in advance of the holidays. However, it was well up on the 78.28kg average recorded in December 2012.



As expected, the new methodology for reporting weaner prices has proved to be somewhat more volatile than the old approach. During December and early January, prices have varied between £54 and £58 per head but overall the market appears to be stable, with December's average price of £56.32 just 28p lower than November's. Relatively tight supplies and steady demand from finishers means that prices are over £10 higher than a year ago. Prices for 7kg weaners have also been stable, with the average price in December identical to the previous month at £42.93 per head.

EU PRICES

EU pig prices ended 2013 on the same downward trend which had been apparent since September. Despite a short reversal of the trend in November, the EU average reference price averaged €170.13 per 100kg in December, over a euro lower than in November. The average price ended the year at around €166 per 100kg, almost €30 lower than the peak in early September and €5 down on the end of 2012. The price fell a little further in early January but showed signs of stabilising. The market remains finely balanced, with some reports of tighter supplies ahead but consumer demand apparently still weak.



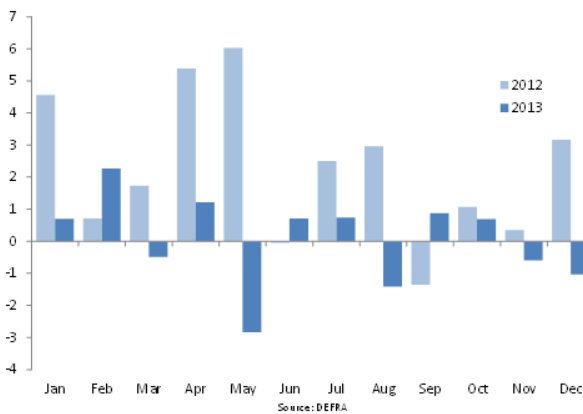
All of the major producing member states recorded falling prices during the final month of 2013. The sharpest declines were in Belgium, where the average price fell more than €15 per 100kg in three weeks, and Denmark, where the price dropped by more than €10 in the same period. Elsewhere, falls were typically closer to the EU average of €5, although the Irish market was largely stable. In euro terms, the UK price dropped less sharply and, as a result, it ended the year around €30 above the EU average, the biggest gap in nearly a decade.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

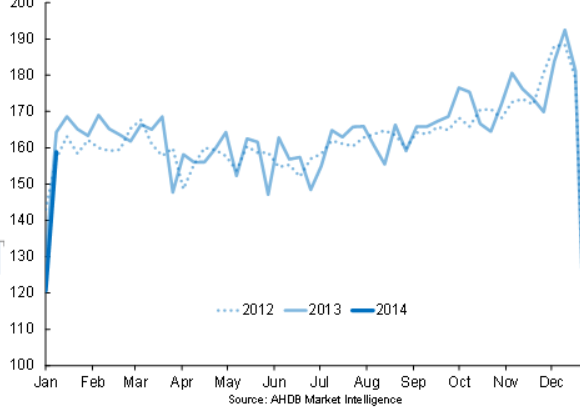
For the second consecutive month, UK clean pig slaughterings were below year earlier levels in December. Throughputs during the month totalled 758,300 head, 1% lower than in December 2012. All parts of the UK recorded similar trends, with the English kill down by 1% and Scottish and Northern Irish numbers both down by 2%. That meant that UK slaughterings for the year as a whole reached 10.05 million head, just 12,000 more than in 2012.

Adult sow and boar throughputs in December were down 7% on the year at 15,900 head. This meant that cullings for the year as a whole were 5% lower, with a total of 252,000 head. The heavier clean pig carcass weights during the month meant that, despite the lower slaughterings, pig meat production was marginally up on the year at 62,500 tonnes. Total production for the whole of 2013 was 832,900 tonnes, 1% more than in 2012.

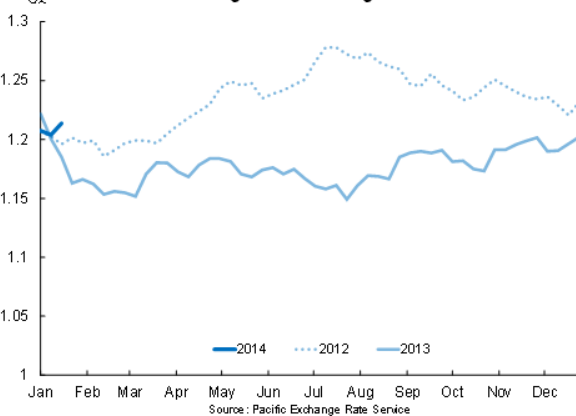
Annual change in UK clean pig slaughterings



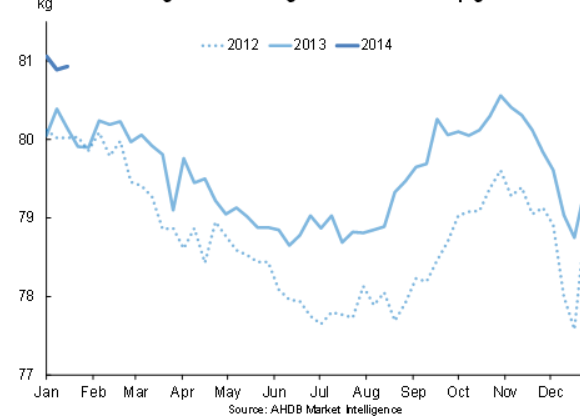
Estimated weekly GB clean pig slaughterings



Sterling – euro exchange rate



Average carcass weights for GB finished pigs



The UK's strong pork export performance continued in November, with volumes up 8% compared with a year earlier. Shipments to China reached a record 3,300 tonnes, more than 40% up on the year, making it the largest market for the first time since April. However, this was offset by a fall in exports to Hong Kong, so overall shipments to the region were little changed from November 2012. Volumes sent to other EU Member States, which made up over 60% of the total, were up 9% year on year. Exports of cured and processed pig meat were also higher than a year before but offal shipments were only about half their level in November 2012. This was due to a collapse in EU sales, with shipments to Greater China and other non-EU markets higher.

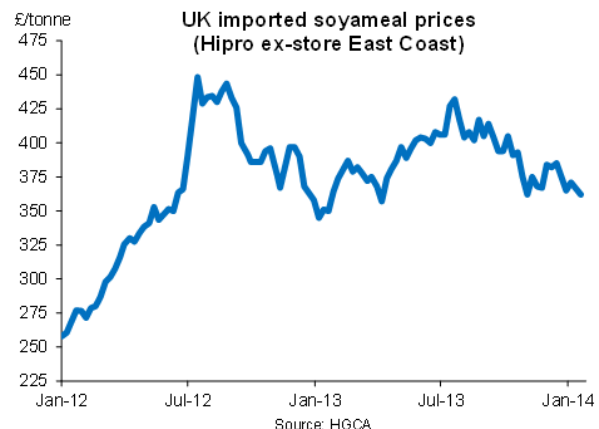
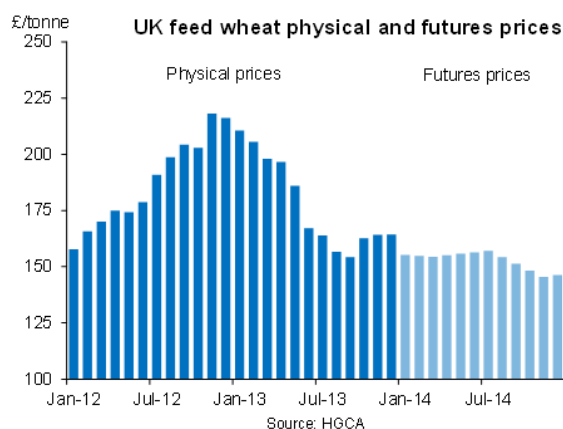
In contrast, pork imports were 9% down on the year. As has been the case for much of the year, tight supplies in Denmark led to a 22% fall in shipments, although it remained the leading supplier. This was partly offset by a rise in imports from Germany, where pigs were more plentiful. Denmark and Germany both shipped more bacon/ham to the UK in November, leading to a 5% rise in overall shipments. The other major supplier, the Netherlands, did send less bacon to the UK. Processed pig meat imports were lower, however, with a particularly sharp fall for sausages.

FEED MARKET

On Monday 20 January, the UK feed wheat May-14 futures price closed at £152.90/t, down 8% on a month earlier, when prices were still relatively calm, as prices dropped following the release of USDA information on 10 January. The Chicago maize May-14 futures price on the other hand settled approximately 1% lower on Friday 17 January at \$169.98/t. Chicago maize prices have generally hit contract lows this season, following a bumper maize crop production, but the USDA data resulted in a trend reversal. However, prices have continued to decline again, on the back of supportive news on the Argentine weather (rain).

The USDA, in its January report, revised global maize production for the 2013/14 season higher from its December estimate but an increase in consumption led to a downward revision in stocks. A combination of lower than expected US stocks and the overall reduction in global stocks resulted in the price increase. Although the estimated Stocks to Use ratio has increased on last year, it is still historically low and this year's surplus production needs to be maintained for a number of years to prevent any potential for price volatility. The price reactions to the USDA report meant that the spread between US wheat and maize prices narrowed. This could impact on the competitiveness of maize, which has been expected to substitute some wheat in UK feed rations this season.

UK wheat imports showed the biggest monthly decline so far this season in November, while maize imports showed the biggest monthly increase. Feed demand data showed that mild weather took its toll on GB compound production, which was down 3% year-on-year in November. However, demand is still up on November 2011 across all species. Maize made up 6% of total grains used in rations, against 4.6% in October, demonstrating the substitution effect.

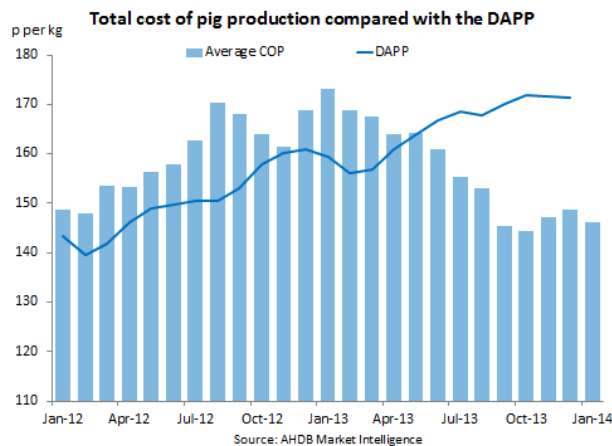


Turning to oilseeds, the Chicago soyameal futures price (May-14) settled at \$445/t on Tuesday 21 January, a 5% decline on a month earlier. Although US soyabean production is currently projected at the third largest on record, strong demand domestically and also from China continues to point towards a tight supply and demand balance. With US stocks being viewed as tight, the South American crop is anticipated to bring some relief this season, but global demand for the commodity remains rampant.

The USDA currently forecasts the 2013/14 Argentine and Brazilian crops at record levels. However, the weather in the next few months will be critical to the realisation of the South American crop estimates. The South American crops, if realised, should naturally result in more competition and, thus, lower prices but the tightness of the US stocks, the South American weather and the logistics of getting the crop to the export market, could hinder this.

However, the nearby Chicago soyabean price closed at the lowest level since November 2013 on Tuesday 21 January, following reports of improved Argentine soyabean crop outlook and the traditional expectation that

demand will soon shift to South America. As at 16 January, 92% of the intended Argentine soyabean area was sown with 86% of the crop reported in good to very good condition (Argentine Ministry).



Latest provisional estimates from AHDB/BPEX show that the cost of GB pig production was again little changed in January. The average cost for the month is estimated at 146.3p/kg. Although this is around 2p lower than the estimate for December, this can largely be attributed to the heavier carcass weights in January. Although wheat prices have eased somewhat in recent weeks, this hasn't yet fed through into compound feed prices, meaning that underlying costs have been little changed since September.

The current situation is in marked contrast to a year earlier, when production costs reached a record high of 173p/kg. Last January, the DAPP averaged just over 159p/kg, around 10p below its level early this year. With both prices having moved in favour of producers, a loss of £11 per pig has been transformed into a positive margin of around £18 per head. Nevertheless, the high costs last year emphasise that the profitability of the sector remains vulnerable to any future shocks in global cereals or oilseeds markets.

CONSUMPTION

The latest figures from Kantar Worldpanel show that the amount of pork purchased in the 12 weeks to 8 December was 5% higher than a year earlier and expenditure rose 6%. Shoppers have been buying pork more frequently and buying more per trip. Shoulder roasting joints performed particularly well, making volume gains of 19%, boosting spending by 26%. Increases have been a result of shoppers switching in from beef and lamb as well as from pork leg joints. Pork shoulder continues to offer a lower priced alternative to other proteins. Chops and steaks also had a strong quarter, with shoppers buying them more often, encouraged by an increase in promotions.

Bacon continues to struggle, with volumes purchased 6% behind last year. Fewer shoppers bought bacon and those remaining purchased it less often. Consumer spending was down 3% as a result. Rashers, joints and steaks all suffered volume and value declines. Meanwhile, spending on sausages increased 8%, despite a 6% drop in volumes. Both bacon and sausages lost out to fresh chicken and pizzas over the three months. Pre-packed ham made some gains again during this period, with shoppers buying slightly more often.

In the latest four weeks a similar trend was seen. Although smaller, sales growth for pork continued and was still driven by chops, steaks and shoulder joints. Bacon and sausages continued to be impacted by fewer shoppers buying, resulting in further volume decline. Ham, on the other hand, recorded purchase growth of 3%, outperforming all other proteins in terms of actual volume gains.

Trends in retail meat purchases (period ended 8 December 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								
Fresh and Frozen Meat, Poultry and Bacon	+0	+2	+2	-2	+3	+5	-2	+4	+6
Pork	+2	+2	+0	+5	+6	+1	-3	+2	+5
<i>Belly</i>	-6	-2	+4	-12	-5	+9	-9	-1	+9
<i>Chops</i>	+18	+11	-6	+7	+6	-0	-9	-4	+5
<i>Steak</i>	+6	+7	+2	+6	+9	+2	+1	+3	+2
<i>Leg Roasting Joint</i>	-29	-27	+2	-10	-12	-3	-12	-11	+1
<i>Loin Roasting joint</i>	+4	+0	-4	+7	+6	-1	+7	+10	+3
<i>Shoulder Roasting joint</i>	+10	+13	+3	+19	+26	+6	-9	+2	+13
Pork Marinade	+1	+6	+5	-9	-4	+5	+6	+14	+7
Bacon	-7	-4	+3	-6	-3	+3	-4	-0	+4
Beef	-4	+5	+9	-6	+3	+9	-3	+4	+7
Lamb	+1	+4	+3	+6	+7	+1	+14	+9	-5
Poultry	+4	+3	-1	+0	+5	+4	-1	+6	+7
Processed products									
Pork Sausages	-6	+8	+14	-5	+9	+15	-4	+9	+14
Fresh Pre-packed Pork Pies	-15	-7	+9	-9	-4	+6	-12	-4	+8
Fresh Pre-packed Sausage Rolls	-4	+4	+8	-2	+7	+9	-7	+3	+11
Pork Chilled Ready Meals	-1	-4	-3	+3	+9	+5	+1	+11	+10
Pork Sliced Cooked Meats	+3	+6	+3	+1	+4	+3	+2	+3	+1

Q = quantity purchased, E = expenditure, P = price
Source: Kantar Worldpanel

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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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