

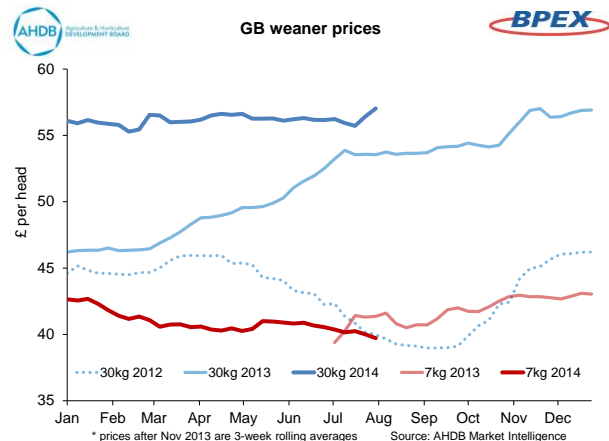
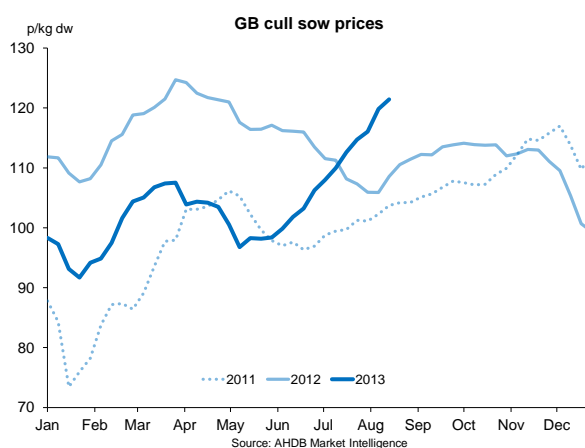
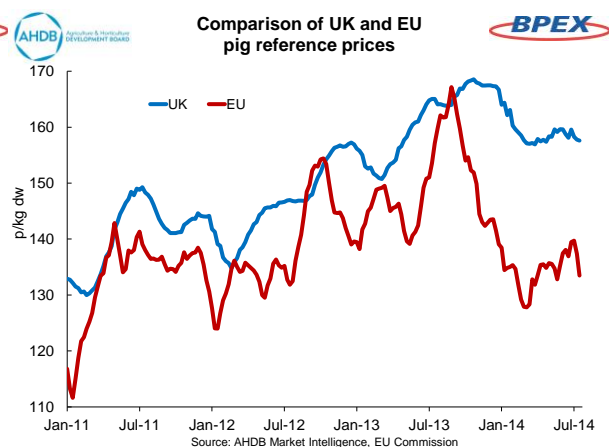
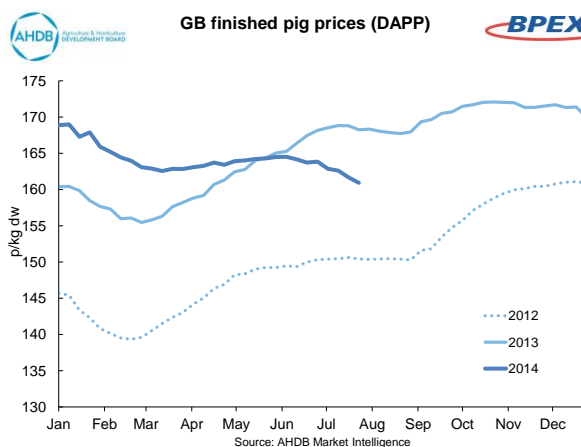


United Kingdom Pig Meat Market Update

August 2014

UK PRICES

The EU-spec DAPP in June edged down from the previous month to average just over 164p per kg. Subdued consumer demand, low EU prices and the strengthening pound continued to put pressure on finished pig prices during June. The monthly average marked almost a 3p decline, the largest year-on-year fall since March 2011. Similarly the average monthly APP also fell marginally, to 165.51p per kg in June, which indicated a 1.44p difference between the two price series. Furthermore, finished pig prices continued to decline in the first three weeks of July. For the week ended 19 July, the EU spec DAPP fell to 161.68p per kg, its lowest level since April 2013 and, at 7p, the biggest year-on-year fall since October 2010.

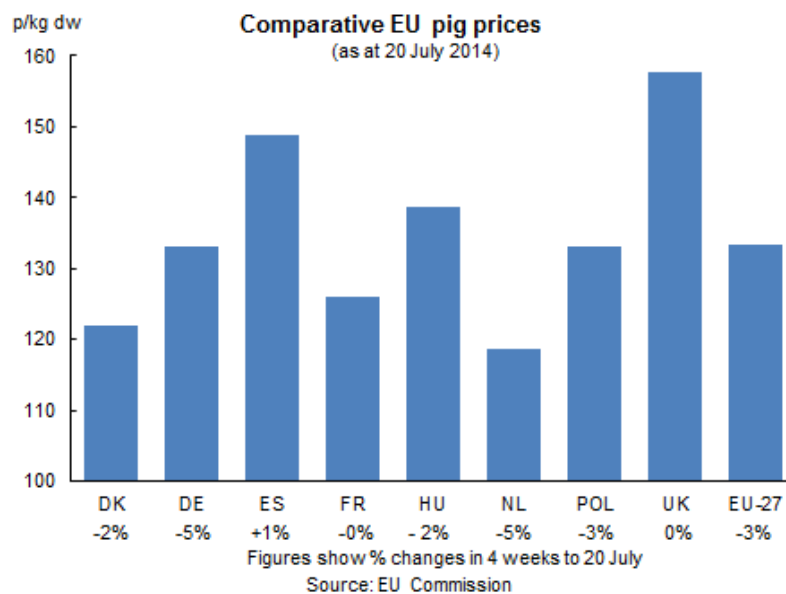


The average carcass weight in the DAPP sample for June came down marginally to 79.18kg. This meant pigs were around 700g lighter compared with the previous month. Declines in carcass weights are expected during this time of the year, as higher temperatures slow down weight gains amongst pigs. However, the latest monthly average remained above the previous year's level, by around 400g, although in early July weights have been close to those in July 2013.

In contrast, the 30kg weaner market strengthened during June, with the monthly average price standing at £56.39 per head. This was 26p higher than the previous month but the year-on-year change showed prices around £5 above year earlier levels. Weaner prices of late indicate some stability in producer confidence, with falling feed costs offsetting the softening finished pig prices. There was a similar trend in the 7kg weaner market, where the average price for the month increased by 45p to £41.32 per head.

EU PRICES

The EU pig price in June averaged €170.88 per 100kg, up on the previous month by almost €7. This was the highest monthly average for the year so far. Firm demand from the export market partly contributed but pig prices were mainly encouraged by tight supplies in the EU. However, the latest monthly price quotation remained around €1 below the previous June's level, indicating that the Russian ban continues to cause some weakness in the EU pig market. The latest monthly average showed the UK pig price almost €27 above the EU one, with the stronger pound contributing to this. Nevertheless, the gap had narrowed considerably from the start of the year when the differential was £38. EU prices took a backward step in early July as the start of summer holidays hit demand in Northern Europe. By week ended 20 July, the average price had fallen to €168.43 per 100kg.



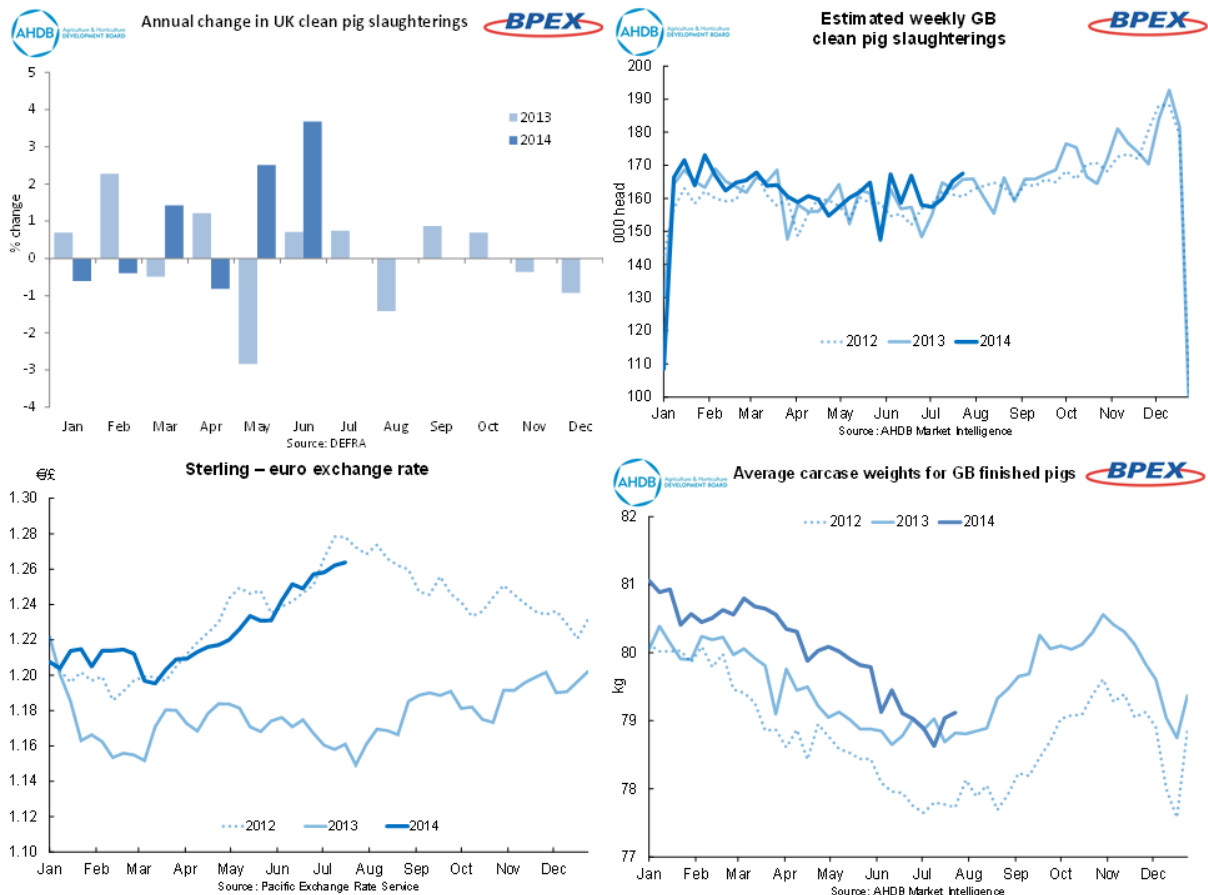
Supply shortages in Germany led finished pig prices in June to increase by €10 on the month before, the biggest rise since last August. Prices amongst the major northern EU producers followed, with Polish and Dutch prices rising by over €8. Ireland, Belgium and Denmark recorded €6 increases. In contrast, further south, the French market weakened slightly, as pig prices fell by around €1, while Spanish prices rose by less than a euro.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

At 771,700 head, UK clean pig slaughterings in June were up by 4% compared with the same month in 2013. This was the largest year-on-year growth in two years. The rise in throughputs suggests further productivity gains but may also mean that some pigs were marketed a little earlier, given good growing conditions this spring and falling finished pig prices of late. The number of pigs that entered English abattoirs increased by 4%, while there was a smaller rise in Northern Irish throughputs, up by 2% on a year earlier. Scottish slaughterings were up by 7%, the first year-on-year rise since the closure of Halls of

Broxburn in October 2012. This brought the total UK kill for the first half of the year to almost 5 million head, up 1% from same period in 2013.

In contrast, there was a 7% decline in the number of adult sows and boars slaughtered in June, to 18,700 head. The six month figures for adult pig cullings showed a tight supply situation as prices remained subdued; throughputs were down by 3% on the year before. Finished pig carcass weights for June edged down slightly from the previous month, to 80.0kg. This still meant pigs in the UK were 2% heavier in the latest month, compared with June 2013. Consequently, pig meat production in the month totalled 64,500 tonnes, up 6% on a year earlier. The half year figure for pig meat production showed a 3% increase in supplies, to 418,900 tonnes.



The UK's pork export market performed strongly in May, with shipments up 19% on a year earlier at 16,200 tonnes, the highest May monthly figure since 2000. This came despite a strengthening pound, indicating some preference for UK pork, both on European and international markets. Exports to other EU members increased by 9% but supplies to the leading EU market, Germany, slipped by 12% compared with a year earlier. Shipments to China reached 2,600 tonnes, more than double their level in May 2013 and a swift reversal from the decline in the previous month. UK offal exports, on the other hand, fell by 19% on May 2013. The decline was mainly due to lower shipments to the EU, down from 1,460 tonnes in 2013 to 650 tonnes in 2014. China, however, imported 60% more UK offal, doubling its importance among the UK's export markets.

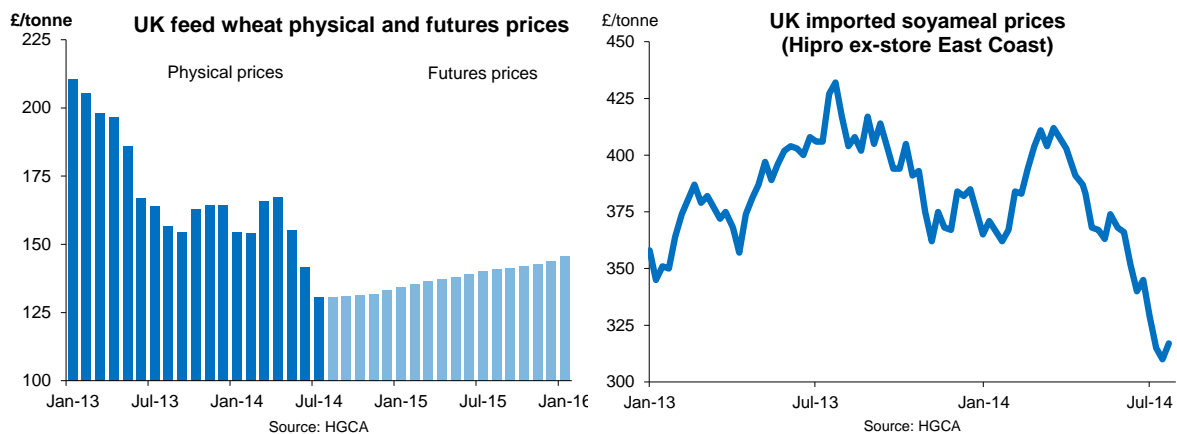
At 30,500 tonnes, pork imports in May were only marginally up on the previous year. There were lower imports from the three main suppliers, Denmark (down 5%), Germany (-1%) and the Netherlands (-8%). Together, these three markets represent just under two thirds of UK imports. However, the declines were

offset by increases from smaller markets, including Belgium, Spain and France. Partly as a result of the stronger pound, the average import price was down by just over 2%, which brought the total value of supplies down by 2% to £61.3 million. Bacon imports rose by 10% in the month, with higher quantities from Denmark, in particular. Similarly, sausage supplies rose by 5% on May 2013 but imports of other processed pig meat declined by 6% year on year.

FEED MARKET

Nov-14 LIFFE wheat contract prices closed at £127.65/t on Tuesday 24 July. Prices have declined by £6.85 since the beginning of July, and £24 since the start of the year. Recent disturbing images and headlines from Ukraine have served to remind the world that the region is far from stable. Grain markets were initially driven upwards by the breaking news of the shooting down of a passenger jet, helping UK feed wheat futures to break above £130/t again. Nevertheless, with no direct impact on grain supply prospects in the region and strong global supplies beginning to become reality, prices dipped lower again.

The Northern Hemisphere wheat harvest is continuing to progress, although rain in Europe is putting a question mark over its final quality. Much of the bearishness is coming from the maize market, where key Northern Hemisphere producers such as the US, China and Ukraine are experiencing very good crop conditions. In the US, near-perfect growing weather for the Corn Belt is creating the best crop conditions in 20 years, in stark contrast to the drought experienced during the 2012/13 season.



Trade data from HMRC reveal that lower availability of wheat following the particularly poor harvest in 2013 has meant lower export levels during 2013/14. With higher yields forecast and a positive outlook for the UK harvest in 2014, it is likely that export figures will increase during 2014/15 to reach more 'normal' levels, last achieved in 2011/12. Wheat exports in May 2014 declined 23% on the previous month. Cumulative seasonal exports for 2013/14 (Jul-May) are at particularly low levels in comparison to previous years; declines of 40% have been seen year on year and 84% in comparison to 2011/12.

Strong supply fundamentals and favourable growing conditions have impacted bearishly on the oilseeds complex throughout the last month, with prices hitting new contract lows during July. Nov-14 Paris rapeseed prices have dropped €22.75/t since the start of July 14 and €31.75 since the turn of the year. Chicago Nov-14 soyabean prices have fallen \$23.15/t since the start of July.

In Europe, confidence is growing toward the size of the rapeseed crop, with Oil World increasing its EU-28 production forecast for 2014 to a record 22.7Mt, 1.5Mt higher than last year. The favourable growing conditions, harvest pressure and the strength of sterling against the euro have combined to put pressure on UK delivered oilseed prices. UK delivered rapeseed prices (Erith, Nov-14 delivery), have been on a

descending trend this year. By 18 July, they had experienced a substantial decline of £68.50, since peaking at £314.50/t in early March. Delivered soyabean and meal prices have followed similar trends.

A study, prepared by ADAS has concluded that improved oilseed rape varieties, with a lower glucosinolate content and a thinner seed coat, could have a real value in the pig and poultry feed market. Ways to improve the nutritional value of rapeseed and meal for non-ruminant livestock have been explored as part of a new [HGCA Research Review](#).

The latest trade data released by HMRC indicate that 7.3Kt of rapeseed was exported in May 2014, the lowest monthly volume since October. Equally, 3.9Kt of rapeseed was imported into the UK in May 2014, down 2.5Kt from April, and the second lowest in the 2013/14 season to date.

The latest USDA supply and demand report provided bearish information for the market this month. There were relatively few old crop changes for soyabeans. For 2014/15, the main change was the increase to US soyabean production after the higher planted area figure from the recent USDA Acreage report. The result was a 4.5Mt increase to US soyabean output (assuming trend yields) to 103.4Mt, further into record territory. Although demand was also increased for the US (+1.1Mt) and China (+1Mt), it was not enough to offset the higher production. Consequently, global soyabean stocks are now projected to reach 85Mt by the end of 2014/15, compared to 67Mt at the end of 2013/14 and 56.8Mt at the end of 2012/13.

CONSUMPTION

Trends in retail meat purchases (period ended 22 June 2014)

	4 weeks 2014/13			12 weeks 2014/13			52 weeks 2014/13		
	Q	E	P	Q	E	P	Q	E	P
	% change compared with a year earlier								
Fresh and Frozen Meat, Poultry and Bacon	-3	-1	+2	-1	+2	+3	-3	+1	+4
Pork	-3	-4	-2	-2	-4	-1	-2	-1	+1
<i>Belly</i>	-6	-6	+0	-2	-0	+1	-5	+1	+6
<i>Chops</i>	-2	-0	+2	-1	-3	-1	-2	-0	+2
<i>Steak</i>	-20	-17	+5	-11	-13	-1	-4	-3	+1
<i>Leg Roasting Joint</i>	+4	+5	+1	-0	-0	-0	-6	-11	-6
<i>Loin Roasting joint</i>	+5	+6	+1	+6	+7	+1	-1	-3	-2
<i>Shoulder Roasting joint</i>	+14	-8	-19	+0	-7	-7	-4	+2	+6
<i>Ribs</i>	-15	+10	+30	+1	+2	+1	+5	+10	+5
<i>Marinades</i>	+36	+18	-14	+23	+14	-8	+23	+22	-1
Bacon	+1	+2	+1	+1	+3	+2	-4	-2	+3
Beef	-1	+3	+4	+1	+5	+4	-5	+3	+8
Lamb	-18	-13	+7	+8	+6	-2	-7	-2	+5
Poultry	-3	-2	+1	-3	-0	+2	-2	+2	+4
Processed products									
Pork Sausages	-2	+4	+6	-3	+2	+5	-3	+7	+10
Fresh Pre-packed Pork Pies	+1	+7	+6	+6	+8	+2	-0	+5	+5
Fresh Pre-packed Sausage Rolls	-5	-3	+2	+2	+5	+3	+1	+9	+7
Pork Chilled Ready Meals	+2	+2	+0	-1	+4	+5	-1	+5	+6
Pork Sliced Cooked Meats	+2	+4	+2	+3	+6	+2	+3	+5	+2

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

Shoppers' spending on pork was down 3.5% year on year in the 12 weeks ended 22 June, according to the latest Kantar Worldpanel data, while volume purchases were down 2%. The reduction in spending was mainly driven by chops/steaks which were down 9% year on year. The amount of chops/steaks sold was down almost 8% but belly was the only other cut to experience a decline in volumes. A fall in the number of households purchasing was the biggest driver of the fall in chops/steaks, followed by households buying less frequently. This development will have been affected by fewer promotions at the major multiples than a year ago. The discounters continue to buck the decline in sales, as expenditure on chops/steaks was up an impressive 38%.

Spending on sausages was up 2% over the latest period compared with a year earlier, even though purchases were down 3%. Growth came from all categories with the exception of premium sausages, which were down against the strong performance of a year ago. Expenditure on bacon was up 3% on the same period of last year, as volumes were up despite prices experiencing a small increase. Sliced cooked meats also enjoyed good demand, while spending on ham was up 4%, with the hard discounters once again enjoying the strongest performance.

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; 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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