



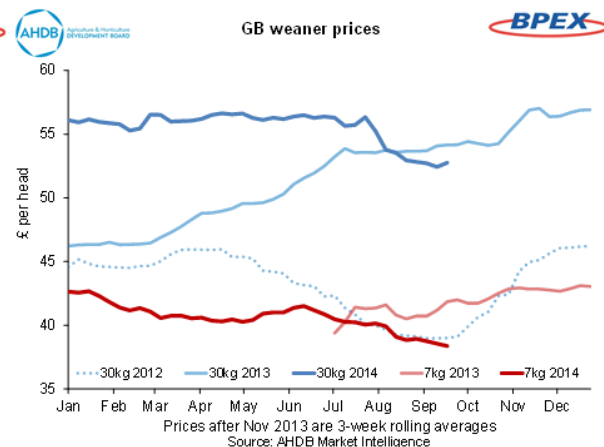
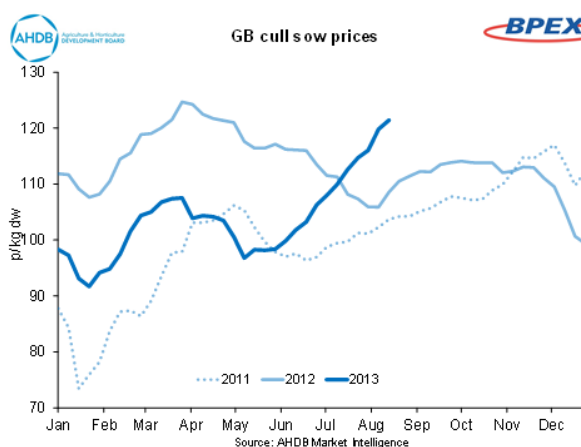
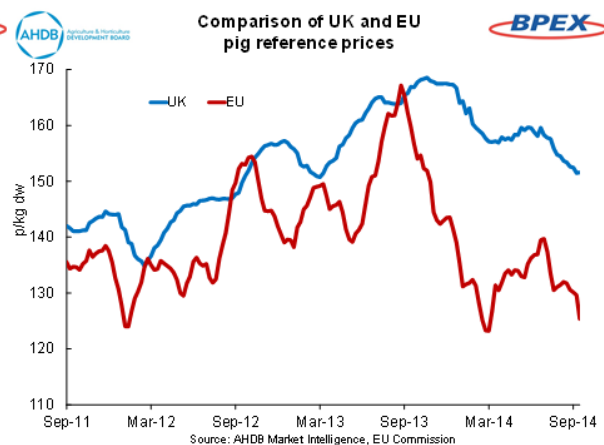
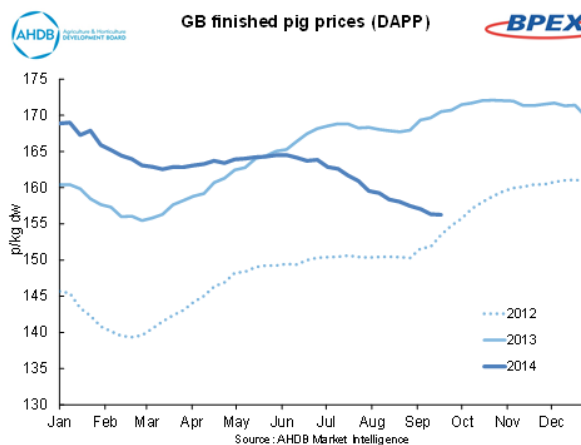
## United Kingdom Pig Meat Market Update

October 2014

### UK PRICES

The EU-spec DAPP for August averaged 158.31p per kg, down by over 3p on the month before. This was the lowest monthly average since March 2013. The downward trend in EU pig prices, coupled with higher supplies and subdued demand on the UK market contributed to the recent softening in pig prices. As prices continued to decline in August, the annual gap widened to 10p below 2013 levels. In the last two years, prices have picked up from September onwards but this hasn't yet happened this year. As a result, by the week ended 20 September, the EU spec DAPP had fallen to 156.25p per kg.

The GB SPP for the same month fell to 158.13p, down by 3p on a month earlier and the lowest quotation since the start of the series in April. The monthly average for the GB APP came down to 160.63p per kg.



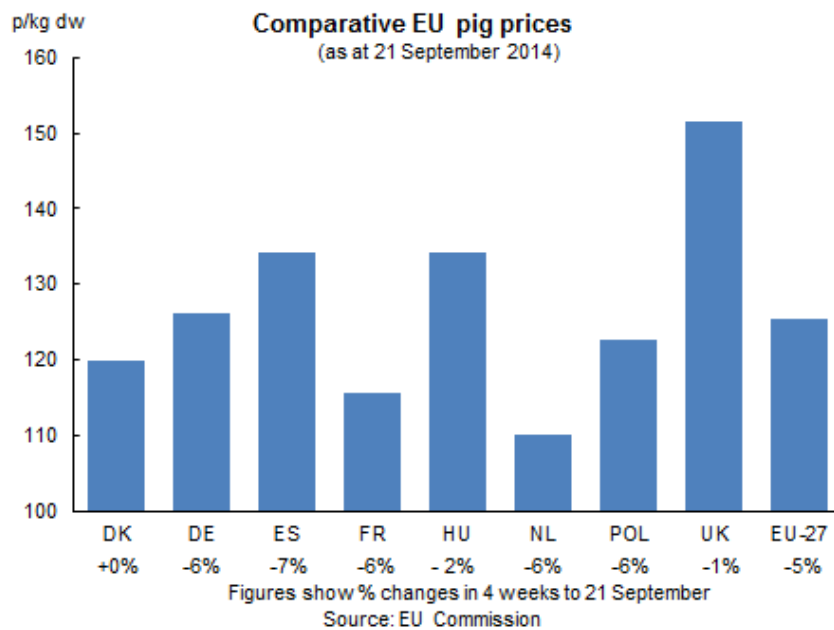
The average weight of pigs in the DAPP sample in August rose to 79.40kg, up by 450g on the month before. This was the first increase in carcass weight since March, in line with the normal seasonal trend. Somewhat cooler temperatures lately have added to the good conditions for weight gain, with lower feed prices also encouraging producers to market pigs at heavier weights. There have also been reports of

some pigs being rolled due to low demand from processors. Partly as a result of this, the average probe measurement increased to 11.2mm, up by 0.2mm from a month earlier and 0.1mm higher than in August 2013.

The 7kg weaner market reached a low point for the year so far at in August at £39.24 per head. At this level, prices for the 7kg weaners were around £2 below the same month in 2013. The 30kg weaner price for August also fell, to £53.38 per head. This was almost £3 lower than the previous month and marginally lower than August 2013. This indicates that producer intentions may have been influenced by the recent falls in pig prices, despite the lower feed costs. Reports also suggest a shortage of finishing accommodation due to rising productivity may be limiting demand for weaners.

## EU PRICES

The EU pig price average for August fell for the second consecutive month to €164.80 per 100kg. This was down €25 per 100kg (13%) compared with the same month in 2013. While pig prices globally have risen, this was not evident in the EU. The slowdown in European prices is a function of market imbalances, with rising supplies outstripping subdued demand, partly due to the Russian ban on EU pork imports. The gap between EU and UK pig prices stood at €27 per 100kg. Having been stable through August, EU prices began to fall again in September as pig supplies rose further following reportedly good growing conditions this summer.



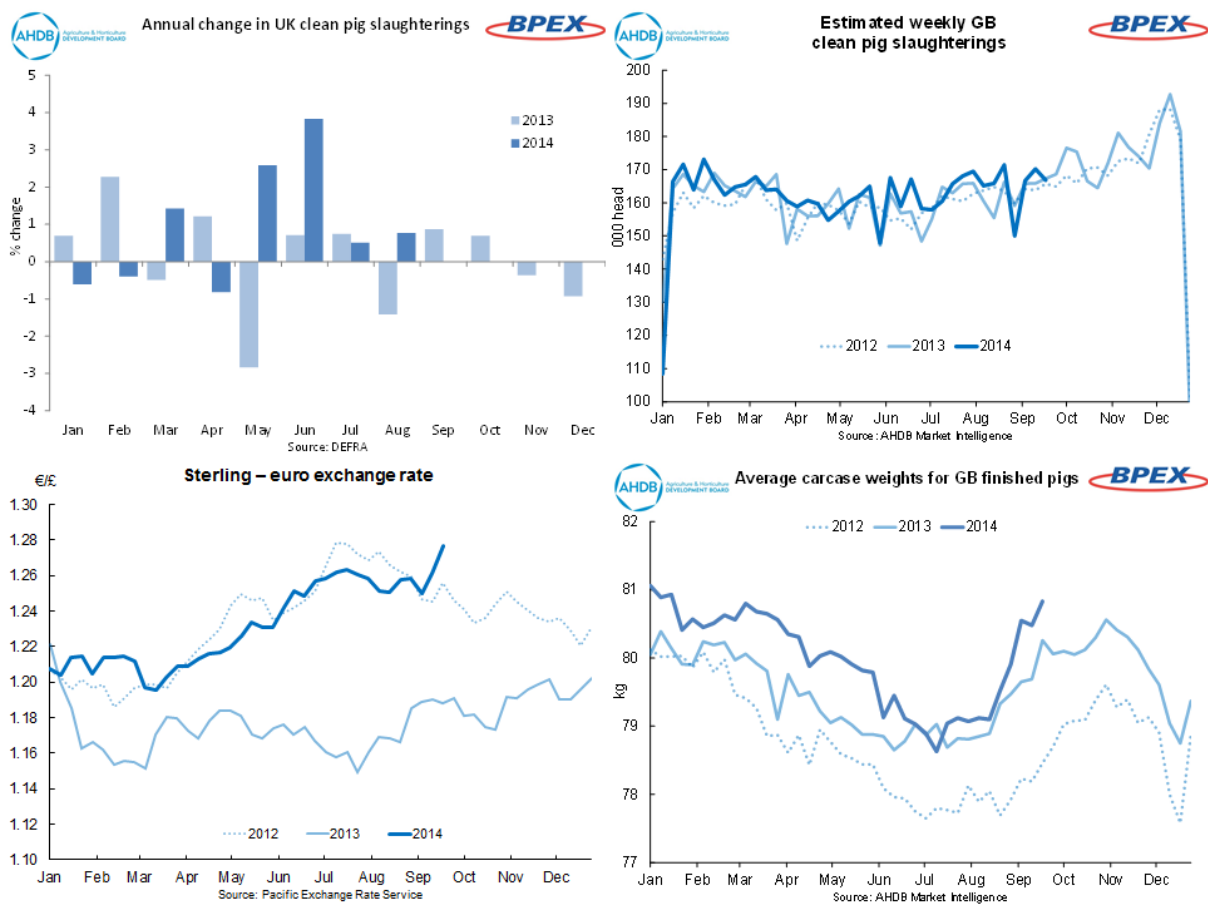
Amongst the key markets, the year-on-year decline in pig quotations was sharpest in Spain and Belgium, where prices were down by €32 and €29. This was followed by the Netherlands and France, where pig quotations fell by €26. Higher supplies in Germany pushed prices down in the latest month, falling €23 below last year's level, while Danish prices were €16 lower. Ireland was the only notable producer to record an annual increase in price. However, even there, pig prices have fallen by €8 in the latest month.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

Defra figures for August show a 1% increase in clean pig slaughterings compared with a year earlier, to 775,800 head. This was largely a result of a 1% rise in throughputs in England and Wales. Scottish clean pig slaughterings were up by 4,000 head, which helped to offset the impact of a fall in the Northern

Ireland kill (down by 5,000 head). As such, supplies in the UK for the first eight months of this year remained around 1% above last year's level for the same period.

At 17,400 head, UK cullings of adult sows and boars fell by 7% in August, compared with the same month in 2013. This was the largest decline since the start of the year, which could suggest positive producer intentions, encouraged by the recent declines in feed prices. However, with cull sow prices subdued, it may just indicate a lower rate of replacement. For the year so far, sow and boar slaughterings came down by 4% compared with the January to August period in 2013. The average monthly clean pig carcase weight edged up to 80.3kg in August, which widened the annual difference to almost 2kg above 2013 levels. Given the higher supplies and increased carcase weights, total pig meat production in August reached 64,700 tonnes, 2% higher than the same month in 2013.



More pork and bacon entered the UK from overseas during July 2014 than a year before, according to latest figures from HMRC. This added downward pressure on pig prices when combined with increased UK supplies, put. During the month, 31,500 tonnes of fresh and frozen pork were imported, which was 9% more than last July. Supplies from Denmark, the leading supplier, were up 20% but there was a particularly notable increase in French pork volumes, which were more than double last year's level. This made France the third largest supplier in the month – it normally ranks fifth or sixth. In contrast, imports from Germany and Ireland were lower on the year. Bacon and ham imports were also up 9% year on year, with growth from all the major suppliers. Processed hams were also shipped in slightly higher volumes but there was a drop in sausage imports on the back of sharp falls in volumes from the Netherlands and Poland.

Pork exports also continued to grow in July, with shipments up by 9%, in line with the trend in the first half of this year. Once again, growth was led by China, with shipments up by more than half compared with July 2013, at 3,000 tonnes. Although much smaller in scale, there was also strong growth in trade with several other Asian markets; the Philippines, Japan and South Korea all took more than twice as much UK pork as last year. In contrast, exports to the rest of the EU were slightly lower than a year before. Lower prices meant that the value of exports during the month was only 4% up on the year, at £18.7 million pounds.

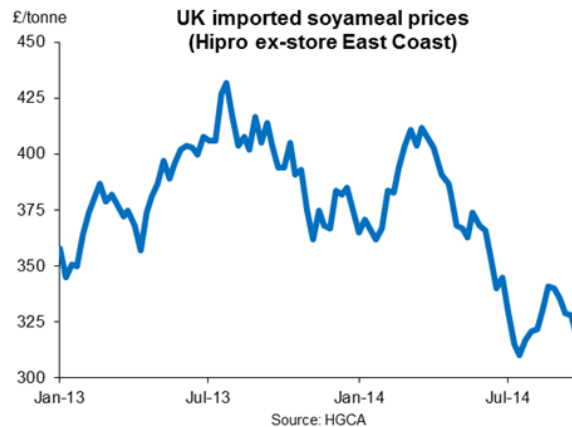
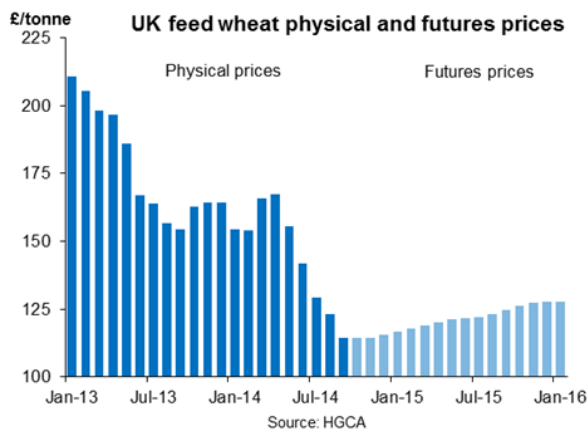
Unlike most of the year to date, offal exports were also higher than a year before in July. However, this is mainly because shipments to the EU had already fallen away by this time last year, rather than there being any short-term improvement in trade. China/Hong Kong remains the dominant market, with a 60% share of exports, with shipments up by nearly half.

## FEED MARKET

LIFFE Nov-14 UK feed wheat contract prices closed at £109.05 per tonne on Thursday 25 September. Prices have declined £12.50/t since the beginning of September. Additionally, over the same period, Nov-14 Paris maize contracts have fallen by €15.75, settling at €136/t.

Feed grain prices in the EU, hit by strong domestic and global supplies, may get some support from the rise in EU maize import duties. The duty has increased to €10.44/t from €5.32/t. Although this may offset some of the decline in global prices, it is unlikely to offer complete protection.

Defra's final supply and demand balance sheet estimates for cereals in the UK in 2013/14 show that that, despite wheat closing stocks being 10% lower than in 2013/14, increased year-on-year closing stocks for barley, oats and maize contributed to overall cereals stocks of almost 4Mt.



The latest USDA world supply and demand estimates revealed further increases to both supply and demand but the level of demand is still not large enough to offset the record crops. Consequently, on a global scale end-season stock projections were increased for both wheat and maize. Global wheat production was revised upwards to 720Mt, a new record. Although, demand was increased to 710Mt, this was not large enough to counterbalance the increase in production. Global maize production was also increased to a record 987.5Mt, boosted by a 3% increase in US production.

In Russia, grain production this season could reach 104-106Mt, including 60Mt of wheat, according to local analysts SovEcon. If confirmed this would be Russia's largest harvest since 2008, when a new post-

Soviet record of 108Mt was set. However, it is worth noting that unlike previous years, the 2014 estimate includes 1.2Mt for the Crimean peninsula.

Chicago Dec-14 soyabean future contracts closed at \$339.02/t on Thursday 25 September, down \$17.91 on the previous week. Furthermore, soyabean prices have declined \$40.14/t since the beginning of September.

UK delivered rapeseed prices for Erith (February delivery), were £251/t (19 September), down £2 on the previous week.

Bearish news was also felt by the oilseeds market in the September USDA report, with global soyabean production forecasts pushed further into record territory. Although demand projections were also increased, based on current output forecasts, it would not be sufficient to prevent a large stocks build up.

According to Defra's final arable area data, released on 18 September, the area of oilseed crops in England decreased by 9.1% compared with 2013, to 648,000 hectares in 2014. While the area sown to oilseed rape has reduced, trade data from HMRC shows that UK exports of rapeseed in July were 75Kt, compared with 4.6Kt in July 2013.

The Australian canola crop is projected 0.3Mt lower at 3.5Mt. Below average rainfall in July and August has caused concerns and, though recent rains in New South Wales have helped, regular rainfall will be needed in all regions during the key months of September and October.

The harvest of Ukraine's soyabean crop is progressing at a much faster pace than last year, according to UkrAgroConsult, with 1.1Mt of soyabeans harvested as at 18 September, compared with 396Kt at the same point last year.

Planting of South American soyabeans will commence over the coming weeks and the price relationship between maize and soyabeans continues to favour the oilseed. The USDA last week upgraded its production projection for Brazil by 3Mt to 94Mt, and for Argentina by 1Mt to 55Mt; output in 2013/14 was 86.7Mt and 54Mt respectively.

Weather forecasts indicated potential for frosts in key US growing areas last week. For immature crops, frosts could stop any unfulfilled yield potential from being realised. Little damage has materialised but the market is likely to remain sensitive until harvesting of this key part of global oilseed output is well underway.

## **CONSUMPTION**

Shoppers' spending on pork was up 1% year on year during the 12 weeks to 18 August, according to the latest Kantar Worldpanel data. The average price for pork was down just over 4%, which helped consumers to increase the amount they purchased per shop. As a result volumes were up some 5% year on year.

Pork mince continues to show strong growth, especially in the hard discounters, but consumers also bought a lot more roasting joints this period and, as a result, they accounted for almost a third of total pork sales. Indeed, all the main roasting joints achieved annual growth in excess of 20%, with shoulder the best performing cut. Nearly two-thirds of the actual growth in the amount of pork purchased came in the final 4 weeks, which would appear to have been driven by a promotion in one of the Big 4 Multiples. This provided vouchers offering £5 off when £10 was spent on meat and fish, which consumers could use

in conjunction with their 3 for £10 offer. By contrast the amount of pork belly and chops/steaks purchased fell in the period.

Spending on sausages was flat over the latest period, compared to a year ago, as a small increase in prices was matched by an equal fall in the amount consumers bought. The standard sector remains in growth but gains were offset by falling purchases of the premium sector, where average prices rose just over 5%. Shopper spend on ham was marginally down, though the hard discounters continue to perform well. Bacon fared better, with both expenditure and the amount purchased up by some 2%, with the hard discounters driving the growth.

### Trends in retail meat purchases (period ended 17 August 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								
<b>Fresh and Frozen Meat, Poultry and Bacon</b>	<b>+3</b>	<b>+4</b>	<b>+0</b>	<b>+1</b>	<b>+2</b>	<b>+1</b>	<b>-1</b>	<b>+2</b>	<b>+4</b>
Pork	+10	+4	-6	+5	+1	-4	+1	+1	-1
<i>Belly</i>	+2	+3	+1	-9	-8	+1	-6	-3	+4
<i>Chops</i>	-3	-7	-4	-3	-4	-1	-0	-1	-0
<i>Steak</i>	+6	-1	-6	-8	-9	-1	-3	-3	+0
<i>Leg Roasting Joint</i>	-13	-13	+0	+20	+17	-3	+2	-4	-6
<i>Loin Roasting joint</i>	+63	+57	-4	+29	+24	-4	+12	+8	-3
<i>Shoulder Roasting joint</i>	+42	+27	-10	+31	+14	-12	+7	+10	+2
<i>Ribs</i>	+12	+6	-5	-1	-4	-3	+2	+4	+2
<i>Marinades</i>	+5	-5	-9	+8	-3	-11	+10	+3	-6
Bacon	+3	+2	-0	+2	+2	+1	-3	-1	+2
Beef	+6	+9	+3	+5	+9	+3	-3	+5	+8
Lamb	+20	+17	-3	-5	-0	+5	-4	+1	+5
Poultry	-1	-2	-1	-1	-2	-1	-2	+1	+3
<b>Processed products</b>									
Pork Sausages	+5	+4	-1	+0	+0	+0	-1	+6	+7
Fresh Pre-packed Pork Pies	-1	+0	+1	-0	+0	+0	-1	+3	+3
Fresh Pre-packed Sausage Rolls	-6	-6	+0	-7	-7	+1	-2	+4	+6
Pork Chilled Ready Meals	+24	+20	-4	+26	+15	-9	+13	+11	-2
Pork Sliced Cooked Meats	+0	+2	+1	-1	+0	+1	+2	+4	+2

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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