

Pig Market Trends

March 2014, Issue 106

In this Issue

UK pig numbers

Latest figures from Defra for the size of the UK pig herd in December 2013 contain some surprising results. According to the figures, UK pig numbers were around 4% higher compared with the same point a year earlier but the female breeding herd contracted by 1%. However, trends were different in Scotland and Northern Ireland. Taken together with other recent statistics, these figures suggest that pig supplies will remain tight through most of 2014. Read more about what these results may mean for the UK pig market on **page 4**.

GB herd performance

According to latest physical performance data, the productivity of GB breeding herds improved again during 2013. In contrast, the performance of rearing and finishing herds was slightly lower than the previous year. To see more detail about these developments and how they may impact on production costs, turn to **page 5**.

Russia

Russia has featured prominently in global news headlines in recent weeks. This is also true within the pig industry, following its decision to ban imports of pork from the EU in the wake of ASF cases in Poland and Lithuania. However, this is only the latest in a series of import restrictions in recent years, meaning Russian pork imports were down 18% last year. You can find out more about developments in the Russian market on **page 7**.

EU pig census

Eurostat have now published the December pig census results from all 28 EU Member States. The number of pigs was marginally down on the previous year and the sow herd was down 2%. However, this is smaller than the falls in the last few years. Read about what this might mean for EU production and the pig market on **page 8**.

Out of home trends

Overall, consumers ate out less often in 2013, impacting on red meat consumption, but pork bucked this trend. Although bacon, ham and sausages servings all declined, fresh pork dishes showed double digit growth. For more analysis of trends in the foodservice market and opportunities for growth turn to **page 10**.

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Key data

	Feb-14	Change since Jan-14	Change since Feb-13
GB DAPP (euro-spec) – p/kg dw	164.17	-3.74	+7.96
Average GB carcass weight – kg	80.54	-0.26	+0.38
30kg weaner price - £/head	56.20	+0.47	+9.83
7kg weaner price - £/head	41.33	-1.15	na
GB cull sow price – p/kg dw	na	na	na
EU Reference price – €/100kg dw	160.41	-3.21	-10.71
UK Reference price – €/100kg dw	195.60	-2.12	+19.07
UK weekly clean pig kill – 000 head	195.4	+7.3	-1.2
UK weekly pig meat production – 000 tonnes	16.6	+0.5	+0.1
UK pork imports – 000 tonnes*	29.6	-1.7	+0.9
UK bacon imports – 000 tonnes*	19.1	-3.2	-0.1
UK pork exports – 000 tonnes*	15.7	+2.4	+2.1
Retail pig meat sales – 000 tonnes†	55.1	-2.4	-1.0
LIFFE feed wheat futures - £/tonne	153.95	-0.41	-51.59
CBOT Soyameal futures - \$/tonne	453.01	+23.23	+27.40

* Figures relate to January 2014

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 2 March 2014

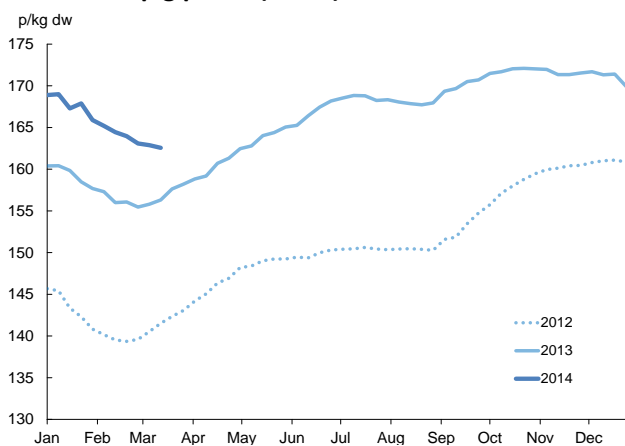
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UK Market Snapshot

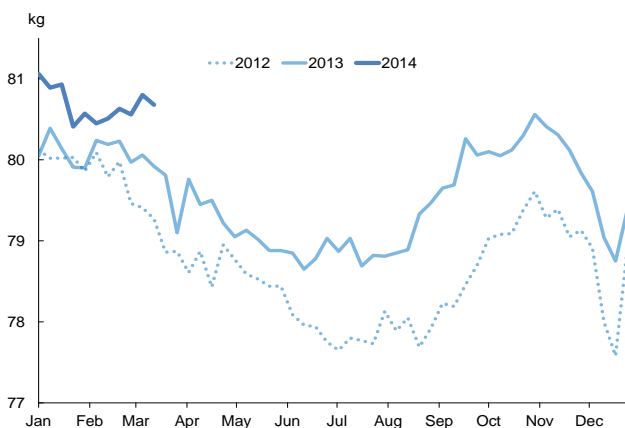
UK finished pig prices have recently come under pressure after the African Swine Fever (ASF) outbreak in the EU caused prices to drop across the continent. In addition to this, prices are normally expected to decline during the first couple of months of the year as consumer demand is subdued. Pig prices in February averaged at 164.17p per kg, up 5% on the previous year for the same month. However, while prices are keeping above the 2013 levels, the annual difference has narrowed in recent weeks. Pig prices in March continued to fall to reach 162.56p per kg for the week ended 15 March, still up 6p (4%) on the same week a year earlier.

GB finished pig prices (DAPP)



Continuing the trend for most of the last year, clean pig slaughterings have been close to year earlier levels so far in 2014. Supplies have started to decline seasonally, a trend which normally continues until the late spring. However, the relatively tight supply situation is still being offset by higher carcass weights. Average weights have remained well above 80kg so far this year, with no sign of the expected seasonal decline by mid-March.

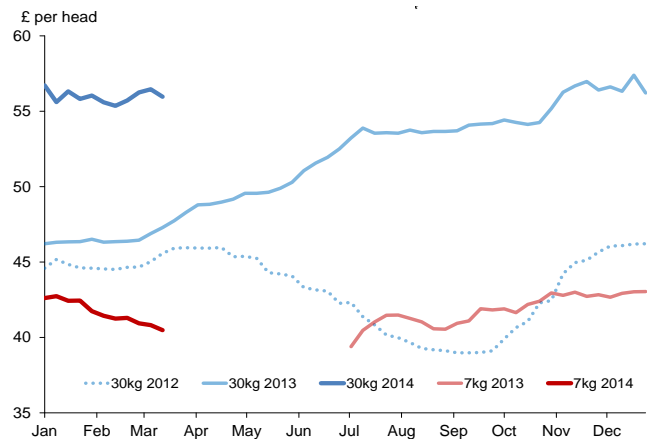
Average carcass weights for GB finished pigs



The price of a 30kg weaner has been somewhat volatile in February, declining at the start of the month before a small uplift in the last week of February. The average for the month edged up to £56.20 per head and this was

around £10 per head higher compared with the same month in 2013. There was a decline in the most recent week but the price of a 30kg weaner has remained within the same range as earlier in the year; for the week ended 15 March it stood at £55.26 per head. The monthly average price for a 7kg weaner edged down to £41.33 per head with prices generally easing back since the turn of the year, although with some volatility week on week.

GB weaner prices*

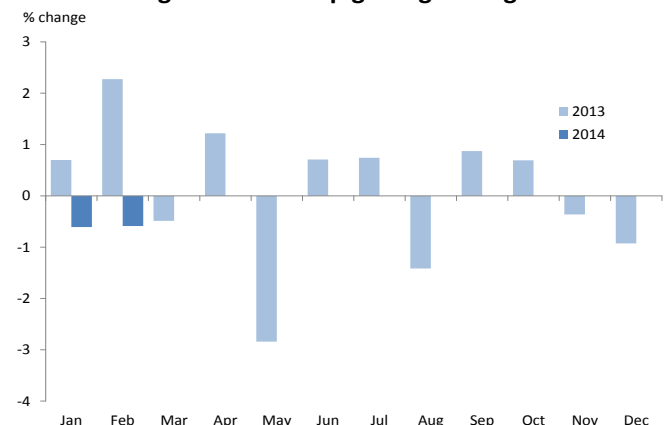


*prices after Nov 2013 are 3-week rolling averages

Source: AHDB Market Intelligence

UK clean pig slaughterings in February totalled 781,550 head. This was 1% lower compared with the same period in 2013. With revisions to the previous month's figures, this means that throughputs have declined year-on-year for four consecutive months. While numbers were virtually unchanged in England, there were declines of 8% and 3% in Scottish and Northern Irish throughputs.

Annual change in UK clean pig slaughterings



Source: Defra

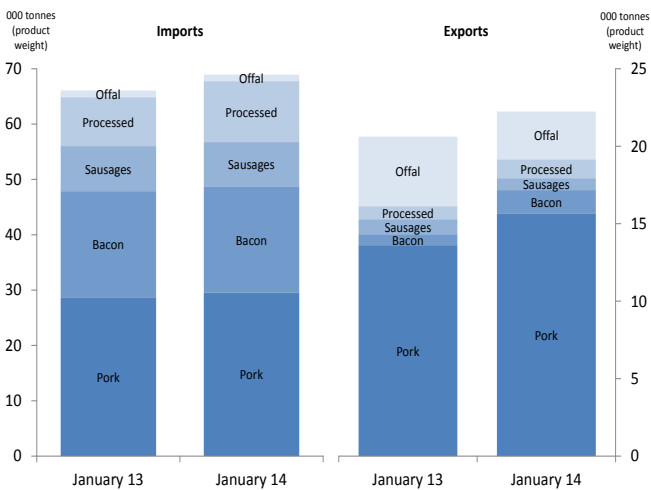
Adult pig slaughterings totalled 19,400 head, down 5%, or 1,000 head, compared with the second month of last year. These figures are in line with the December census which not only showed a decline in the breeding herd but also a fall in maiden gilts, suggesting less sow replacement. The sow and boar kill has now fallen sharply for the last eight months.

UK Market Snapshot

UK pork imports in January reached 29,600 tonnes, up 3% compared with a year earlier. The strong import market was largely a result of higher shipments from Germany, up by nearly a third on last January. This was the first time since September that Germany was the main supplier, accounting for over a quarter of UK imports. There was also a year-on-year increase in Dutch deliveries but these increases were somewhat offset by 18% and 6% declines from Danish and Irish suppliers. The total value of UK imports in January amounted to £61 million, up 7% on a year earlier. In addition to the higher volumes imported, the unit price increased by around 4%, despite subdued EU pig prices.

Bacon imports during the month were 1% lower on the year at 19,100 tonnes, with the Dutch and the Danes the main contributors. However, bacon imports from Germany were reduced by a third on a year earlier. Sausage imports were also down by 1%, with a large drop in Dutch supplies. Imports of other processed products, however, increased by a quarter compared with January 2013.

UK pig meat trade



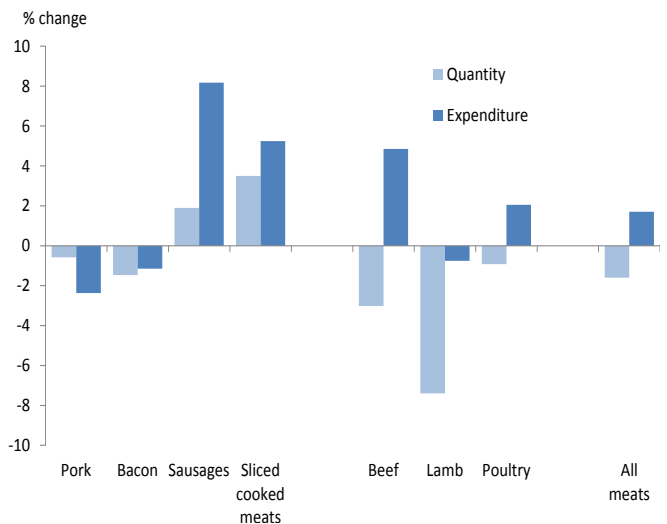
Source: Her Majesty's Revenue & Customs

At 15,700 tonnes, the pork export market performed strongly again, with a 15% increase in shipments compared with January 2013. Higher volumes were supplied to both EU and non-EU countries. The main growth market on the continent was Denmark, presumably product destined for re-export. Germany and Ireland also increased purchases, by 5% and 3% respectively. China led growth in Asian markets, with shipments up 44% year on year to 2,400 tonnes, followed by Hong Kong and the Philippines.

Offal exports, on the other hand, slowed, down by 31% compared with January 2013. The market particularly suffered from lower EU demand, which was especially high last year. Meanwhile, supplies to China continued to grow, more than tripling to 1,400 tonnes. Processed and cured exports also increased.

Sales of pork for the December-February period fell slightly on the year, according to the latest data from Kantar Worldpanel. The drop in purchases was, however, restricted to sales of frozen pork, with demand for fresh produce at similar levels to last year. Sales of fresh pork have been sustained partly due to an increase in promotional activity in three of the big retailers, with pork bought on promotion now accounting for almost half of all sales. Consumers continue to be price-sensitive, reflected in tightened household budgets, with shoppers looking for better value for money. The latest data show consumers switching to relatively cheaper products. Purchases of beef and lamb roasting joints both fell over the period, while demand for pork roasting joints increased by almost 4%.

Annual percentage change in retail meat purchases (12 weeks to 2 March 2014)



Source: Kantar Worldpanel

Despite only a small increase in the quantity of sausages bought, consumers spent 7% more over the 12 week period than they did a year earlier. Shoppers have shown an increase in demand for the higher priced premium and standard ranges, moving away from economy sausages. The shift has partly been driven by an increase in promotional activity for premium and standard ranges but also sales growth among the discount retailers, which tend to focus on higher quality sausages.

The amount of bacon rashers bought over the December-February period fell by 3% compared with last year. The drop has in part been driven by less promotional activity among key retailers over the period. However, there has also been a shift in shopper habits towards discount retailers. Although discounters make up only a small proportion of the overall market, their sales of bacon rashers increased by 30% over the year. Promotions from discounters have focused on price reductions.

UK Market Analysis

Mixed results from latest UK census

Latest figures from Defra for the size of the UK pig herd in December 2013 contain some surprising results. Assuming these figures are correct then they may have implications for supplies over the remainder of this year and into 2015. However, the results should be treated with some caution, especially as the figures for breeding and fattening pigs suggest contradictory trends.

According to the figures, UK pig numbers on the 1 December 2013 totalled 4.4 million head. This was around 4% higher compared with the same point a year earlier. This would represent the largest pig herd at this time of year since 2010. The increment in the total pig herd was mainly a result of a 5% rise in the number of fattening pigs. In contrast, the female breeding herd contracted by 1%, or 2,400 head, compared with December 2012.

Pigs on UK commercial agricultural holdings, 1 December

	2012	2013	% change
	000 head		
Total pigs	4,216.0	4,383.0	+4.0
Female breeding herd	400.1	397.7	-0.6
In-pig sows	269.2	273.4	+1.5
In-pig gilts	67.8	60.1	-11.3
Other sows	63.2	64.3	+1.7
Maiden gilts	93.4	84.2	-9.8
Boars for service	15.2	14.8	-2.9
Fattening pigs	3,707.2	3,886.3	+4.8
Under 20kg	1,075.1	1,125.1	+4.7
20-50kg	1,074.8	1,131.1	+5.2
50-80kg	916.2	966.1	+5.4
Over 80kg	641.0	663.9	+3.6

Source: Defra

Increases were recorded in all weight bands of pigs being raised for slaughter. However, a similar rise was recorded in the June survey figures and this hasn't been reflected in an increase in slaughterings since then. In the three months since 1 December, clean pig slaughterings have been 1% lower than a year earlier. Around half of the fattening pigs recorded in the survey would have been finished by the end of February. Therefore, it seems doubtful that the rise in the figures reflects the true trend and a surge in slaughterings is not to be expected in the near future.

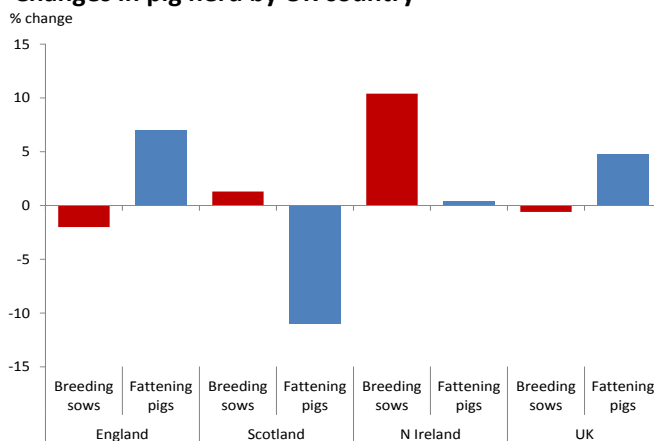
For the longer-term, the breeding herd figures are perhaps more significant. The further slight decline in the sow herd comes as something of a surprise given the better financial position of producers, particularly in the second half of 2013. However, with producers having faced negative margins in most recent years, it is perhaps not surprising that they have been cautious about any expansion plans.

Looking at the figures in a bit more detail, the number of sows in-pig increased by 2% year on year but this was more than offset by an 11% decline for in-pig gilts. In addition, maiden gilt numbers fell by 10% on a year earlier, although it is worth noting that the previous year's figure was particularly high and in fact maiden gilt numbers were up on December 2011. The number of suckling or dry sows was up by 2%. With higher sow numbers but fewer gilts, the figures suggest slightly less sow replacement than in 2012, perhaps because the age profile of the herd is now younger.

Despite improving productivity levels, the small decline in the breeding herd, combined with fewer maiden gilts, is likely to mean that tight supplies continue for much of 2014. AHDB/BPEX forecasts for supplies will be updated during April and will feature in next month's edition of Pig Market Trends. However, the latest figures suggest that supplies may be lower than previously expected, with no significant increase apparent until the second half of the year, at the earliest.

The trends described above are largely replicated in the figures for England, which show a 7% increase in the fattening herd and a 2% fall in sow and in-pig gilt numbers. However, the figures for Northern Ireland and Scotland paint a somewhat different picture. The overall Scottish pig herd was down 9% on the year to 293,000 head, likely to be partly due to an increase in the proportion of Scottish-bred pigs being finished in England. However, after two years of sharp declines, the breeding herd has stabilised, with a 1% increase to 28,500 head.

Changes in pig herd by UK country



Sources: Defra, Scottish Government, DARD NI

In Northern Ireland, the overall herd was 1% higher than a year earlier, at 455,300 head, but this was mainly due to a notable 10% rise in the breeding herd. However, it is worth noting that a change in methodology for the June survey was behind an increase in the figure for the Northern Ireland breeding pig population and it is possible that this may be the case again. In contrast, numbers of other pigs in Northern Ireland remained almost unchanged.

UK Market Analysis

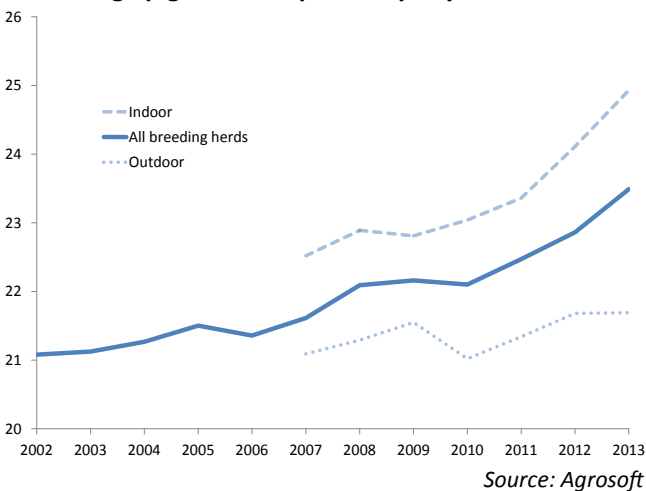
GB breeding herd productivity improves again

Latest physical performance data, provided to AHDB/BPEX by Agrosoft, show that the productivity of GB breeding herds improved again during 2013. In contrast, the performance of rearing and finishing herds was slightly lower than the previous year. However, it is worth noting that due to some system changes, the figures were based on fewer farms than in earlier years. It is possible that this will have affected trends, so they should be treated with some caution.

The average number of piglets born alive per litter increased by nearly 0.3 to 11.8. Combined with a slight increase in the number of litters per sow, this led to an average of 27 piglets born per sow per year, almost one more than in 2012. However, even at this improved level, GB litters were almost 1 piglet smaller than the EU average for 2012, based on figures from InterPIG, equating to 2 fewer pigs born alive per sow per year. Only the top third of GB producers are matching the EU average and even the leading GB producers struggle to match the Danish average of 15 born alive per litter.

With slightly larger litters, it is perhaps inevitable that the pre-weaning mortality rate increased marginally, from 12.7% to 13.1%. Despite this, the number of pigs weaned per litter rose to 10.3, an increase of 0.2 compared with 2012. This meant that the number of pigs weaned per sow rose from 22.9 to 23.5. Again, this was well below the 2012 EU average of 25.4 weaned per sow.

GB average pigs weaned per sow per year

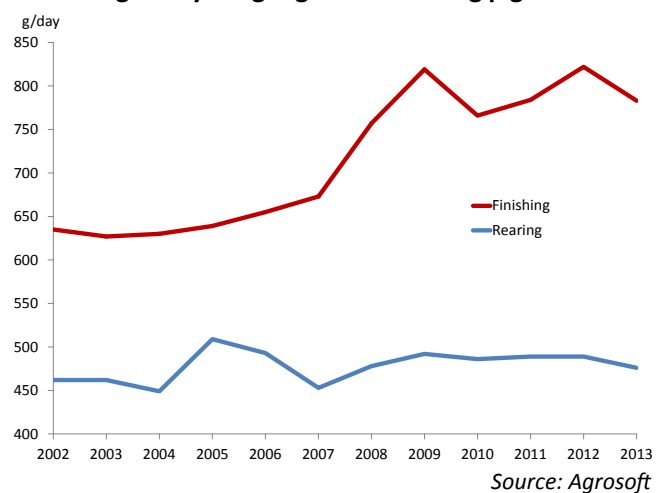


The overall breeding productivity improvements were mainly down to gains in the performance of indoor breeding herds. The number of pigs weaned per sow rose from 24.1 to 24.9 for indoor herds, with improvements across most performance indicators. Meanwhile, the figure for outdoor herds was almost unchanged at 21.7 pigs per sow. The number of piglets born per outdoor litter was slightly higher but this was offset by a sizeable increase in mortality rates, perhaps reflecting the difficult weather conditions in 2013.

The weather may also have had an impact on the performance of rearing and finishing herds, which was slightly worse than in 2012 across most indicators. The hot weather in the summer, in particular, may have led to higher mortality and slower growth rates. However, these figures do tend to fluctuate somewhat from year to year and 2013's figures were within the normal range.

Looking at specific indicators, from wean to finish, mortality increased from 5% to 6%. At the same time, the overall feed conversion ratio worsened from 2.34 in 2012 to 2.41 in 2013 and daily weight gain fell from 645g to 632g. Similar changes were recorded for both the rearing (7 to 30/35kg) and finishing stages.

GB average daily weight gain in fattening pigs



Despite the slight worsening in 2013, the performance of GB fattening herds continues to compare more favourably with the rest of the EU than is the case for breeding herds. Daily weight gains and feed conversion ratios are still similar to or better than the 2012 EU average for both rearing and finishing herds. Mortality rates were a little higher than the average across the EU but with hot weather also affecting other EU countries in 2013, their mortality rates may also have increased.

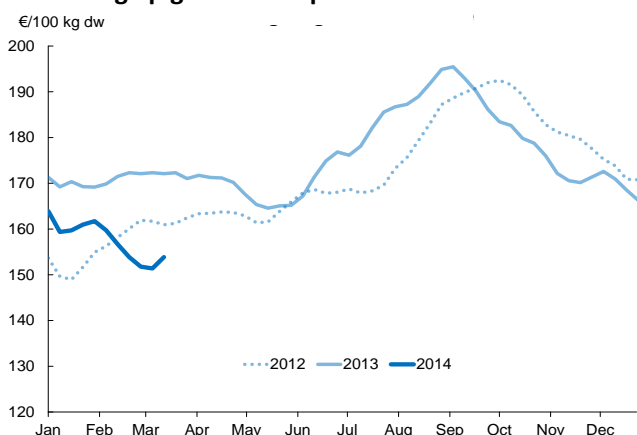
The improvement in productivity of the sow herd is obviously encouraging and suggests that there may have been some closing of the gap with performance elsewhere in the EU. It will also have helped to reduce production costs to some extent. However, other changes will have had the opposite effect on costs. In particular, the figures suggest that more feed will have been used during the year, given the higher feed conversion ratios. In addition, breeding herd figures show an increase in the amount of sow feed used per head during the year. However, this does contrast with statistics on compound feed production which show little change in pig feed output (and less sow feed) during 2013.

The net effect of the changes in herd performance on production cost estimates will become clear once figures are recalculated in the coming weeks.

EU Market Snapshot

The EU pig price declined steadily during February with the average for the month amounting to €160.41 per 100kg. This was around €3 per 100kg lower compared with the average for January. This is against the typical seasonal trend whereby prices across the continent normally strengthen from February onwards. The recent pressure on the EU pig market has been a result of the Russian import ban on EU product as a result of the African Swine Fever cases in Poland and Lithuania. Compared with the week ended 9 February the EU pig price fell by €8 to by the week ended 9 March, although it recovered somewhat in the following week to stand at €153.85 per 100kg. The UK market has held up much better and although the deteriorating market on the continent has had some impact, the gap compared with the EU average has further widened to nearly €40 per 100 kg by early March.

EU average pig reference price



Source: EU Commission

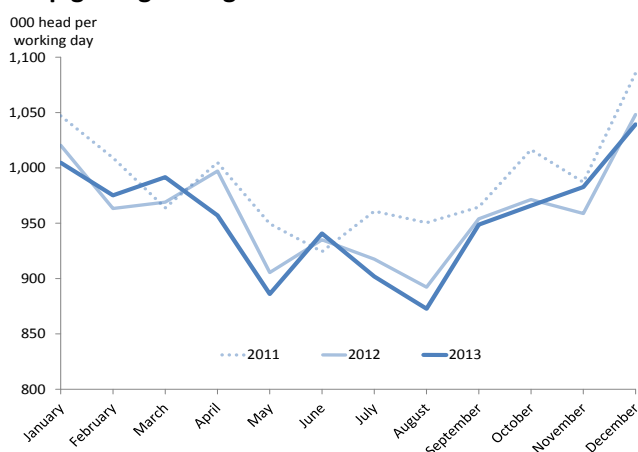
Pig prices in Poland plummeted by €26 per 100 kg in the four weeks to 2 March as a consequence of the African swine fever (ASF) outbreak in the country, but the latest weeks showed some recovery. There have been reductions in most of the other major producing Member States, albeit at a lower rate. Until the issue of trade with Russia is resolved, the EU market outlook remains uncertain.

Latest figures from Eurostat show that EU pig meat production in 2013 was marginally down on the previous year. This was mainly the result of a small fall (of less than 1%) in the first half of the year partly due to the introduction of the stall ban and to high feed costs in 2012-13. These reduced sow numbers, although this was partly offset by increased productivity. However, pig meat production in the second half of the year was on a par with 2012, a situation that is expected to continue in the first half of 2014 based on the latest Eurostat forecasts.

For 2013 as a whole, some of the major producing Member States reported reductions. In Spain, the second largest producer, output fell by 2% compared with 2012 with a similar reduction in the Netherlands.

Production in Denmark fell by 1% on a year earlier and German output was almost unchanged. Poland is also a major producer but output fell by 1% as shortages of domestically reared pigs were largely offset by increased imports of both weaners and slaughter pigs. In its latest Short Term Outlook, the EU Commission forecasts that there will be small rises in pig meat production in both 2014 and 2015.

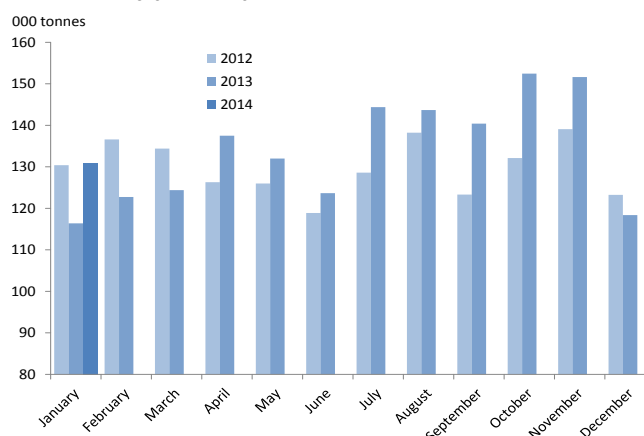
EU pig slaughtering trends



Source: Eurostat

At 130,900 tonnes, EU pork exports strengthened after the turn of the year, with January figures showing a 12% increase compared with the same month in 2013. Increased volumes were largely destined for Asian markets, as China (exports up 4%) continued to play a leading role among EU export markets. Similarly, Japan and South Korea took 43% and 80% more EU pork in comparison with a year earlier, partly due to less competition from US supplies. These increases were offset by a 24% decline in demand from Russia. The share of EU supplies going to Russia had halved from the level of January 2011, partly the result of higher domestic production in the country.

EU monthly pork exports



Source: Eurostat, GTIS

In contrast, at 87,000 tonnes, pig offal exports in January were down by 1% compared with the previous year. There was a 4% rise in demand from the Chinese market but this was offset by declines from other key buyers.

Global Market Analysis

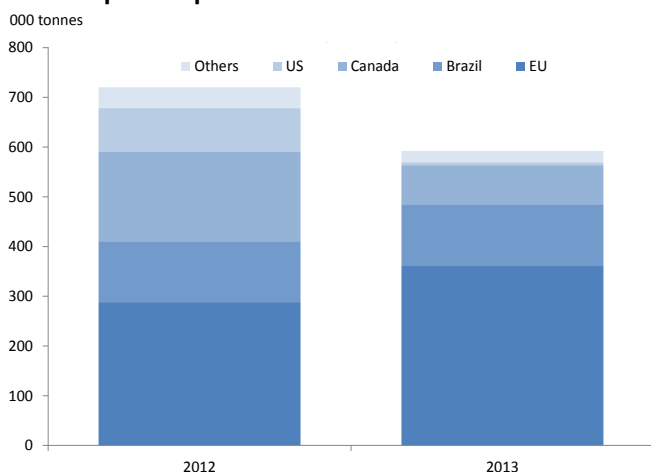
Trade restrictions and rising production hit Russian imports

Russia has featured prominently in global news headlines in recent weeks. This is also true within the pig industry, following its decision to ban imports of pork from the EU. This came in the wake of the discovery of cases of African Swine Fever (ASF) in Poland and Lithuania, the first time the disease has been detected on the EU mainland.

However, the ban on EU pork is only the latest in a series of import restrictions in recent years, which have affected all of the world's major exporters. Last year, the most significant were in response to the use of Ractopamine in North and South America. This resulted in a complete ban on US pork and restrictions on product from Canada and Brazil, with suppliers required to prove that any pork destined for Russia was free of Ractopamine. The US ban remains in place, despite signs that it was close to being lifted earlier in the month, but Canada and Brazil have fully returned to the Russian market.

Partly as a result of these bans, and separate restrictions affecting Germany and Spain, Russian pork imports during 2013 were the lowest since 2005. They were down 18% on the previous year and as much as a quarter compared with the peak in 2008. As well as the import bans, rising domestic production contributed to the reduction. The impact of the Ractopamine-related restrictions can be clearly seen in the 93% drop in imports from the US, with Canadian shipments down by more than half. Imports from Brazil were little changed on the previous year but were only about half their level in the years up to 2010.

Russian pork imports

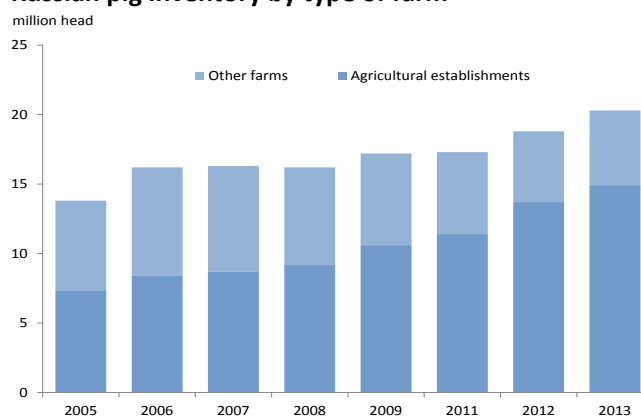


With lower supplies from elsewhere, there were opportunities for EU exporters to fill the gap on the Russian market. As a result, imports from the EU were up by more than a quarter, with its market share rising from 40% to over 60%. This meant that the proportion of EU exports destined for Russia increased from 20% to 23%.

Although shipments to Russia only amounted to around 3% of EU pig meat production, this level of trade is similar in scale to the fall in EU output over the last two years, which led to a notable increase in prices. This emphasises how disruptive the Russian ban could be to the EU market. Much will depend on how consumer demand develops, given the expected improvement in the EU economy. The ability of exporters to find new markets, perhaps in the Far East, will also help determine the direction of EU prices. Signs are positive that demand remains strong in Asia and with PEDv leading to falling production and higher prices in North America, EU exporters may face less competition on these markets.

On the domestic front, Russia has had its own problems with ASF for a number of years, in both wild boar and domestic pigs. In the latter, the majority of cases have been in small 'backyard producers', which has accelerated the move towards larger scale producers ('agricultural establishments'). These now account for around three quarters of Russian pigs, up from little over half in the middle of the last decade. The largest producers have grown even faster, increasing the concentration of the Russian pig industry.

Russian pig inventory by type of farm



The move towards larger-scale production has also meant heavier and higher-quality pigs, so Russian pig meat production was up by around 10% last year. There was growth in most regions except for the south, which has the greatest concentration of ASF cases. However, even growth on this scale was insufficient to prevent a sharp rise in prices following the ban on EU pork. Reports suggest particular problems for further processors, who use much of the imported pork.

The Russian government aims to become self-sufficient in pork over the next few years. It has encouraged significant investment in the industry, although doubts remain about whether the aspiration is achievable. Nevertheless, when this is combined with the frequent trade restrictions and wider political uncertainty, it is clear that global exporters would be wise not to rely too much on Russia as an export market going forward.

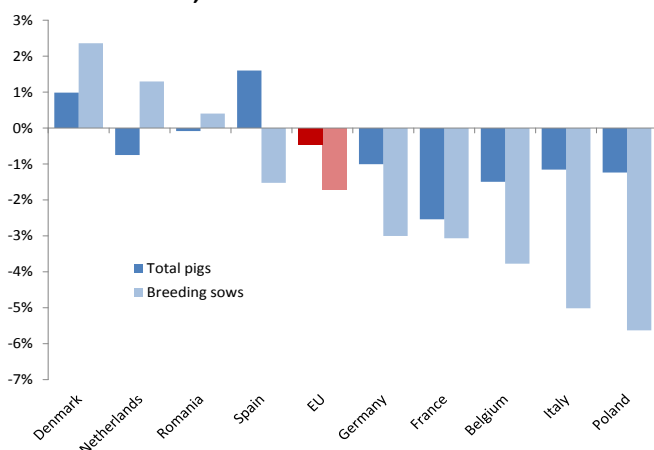
Global Market Analysis

EU census hints at supply recovery ahead

Eurostat have now published the December pig census results from all 28 EU Member States. The number of pigs across the EU totalled 146.3 million head. This was marginally down on the previous year. Amongst the key producers, Denmark and Spain were the only countries to record increases. Other smaller producers such as Czech Republic also recorded increases but they only account for a small share of overall pig numbers. The increase recorded on Danish and Spanish farms was offset by lower pig numbers in Germany, Italy, France and Poland, among others.

The number of sows across the EU fell by 2% compared with December 2012. In some cases, this will have been because of producers leaving the industry following the sow stall ban, which came into effect on 1 January 2013. Tight producer margins will also have been a factor. However, this decline was smaller than in the previous three years, suggesting the slowdown in production could start to reverse later in 2014.

Annual change in pig and sow numbers in selected EU Member States, December 2012-2013



Source: Eurostat

Germany is the largest pig producer in the EU and the number of sows in the country fell by 3% on the previous year as some smaller producers were forced to leave the industry following the new regulations. However, the stronger and more efficient producers were able to expand which led to a smaller fall in the total pig herd. Amongst the other key markets, declines in breeding sows were recorded in Spain (down 2%), France (down 3%) and Poland (down 6%). In contrast, increased optimism in Denmark and the Netherlands allowed producers to expand, with 2% and 1% increases respectively.

The number of piglets and pigs raised for slaughter were both little changed over the year. With the continuing declines in the breeding herd this indicated higher productivity again during last year. This was reflected in last year's pig meat production, which was only slightly lower than the previous year, despite the breeding herd falling by 4% during 2012.

EU pig census results, December

	2012	2013	% change
	000 head		
Total pigs	146,982	146,319	-0.5
Female breeding herd	12,712	12,492	-1.7
In-pig sows	7,113	6,931	-2.6
In-pig gilts	1,619	1,581	-2.4
Other sows	2,490	2,506	+0.6
Maiden gilts	1,490	1,474	-1.1
Boars for service	228	225	-1.3
Other pigs	134,043	133,600	-0.3
Under 20kg	40,730	40,878	+0.4
20-50kg	33,595	32,776	-2.4
50-80kg	27,907	27,783	-0.4
80-110kg	23,881	24,478	+2.5
110kg or over	7,929	7,686	-3.1

Source: Eurostat

Looking forward, the smaller sow herd may continue to impact on production. In addition, producer intentions seem weak with maiden gilts down 1% on a year earlier, suggesting the downward trend isn't likely to reverse in the short term. Margins for producers in much of the EU remain relatively tight, given the steady fall in pig prices since the summer and recent rises in feed prices.

Nevertheless, with the decline in the sow herd slowing during 2013, pig meat production should stabilise in 2014, perhaps even increasing slightly as the year progresses. The latest EU forecasts confirm this likelihood, with production expected to increase marginally in 2014. However, some Member State forecasts suggest a more pessimistic outlook. More details on the outlook for EU production will feature in next month's Pig Market Trends.

It is worth remembering that the latest census results predate the discovery of African Swine Fever in the EU. Detection of the ASF meant that Russia has banned imports of EU pork. Given that the country accounts for almost a quarter of total EU exports, this has exerted downward pressure on the continent's pig prices since late February. Although there have recently been some signs of price recovery, the resulting uncertainty, along with the impact on producer margins, will likely limit any expansion plans.

Nonetheless, the overall impact of the census results, and resulting production forecasts, on the EU pig market will partly depend on how consumer demand develops as the economy improves. The ability of exporters to find other markets for the excess supplies following the Russian ban will also play a key role. Whatever happens, with the supply situation remaining relatively tight, there is still scope for prices to stay above historic averages during the coming year.

Feed Market

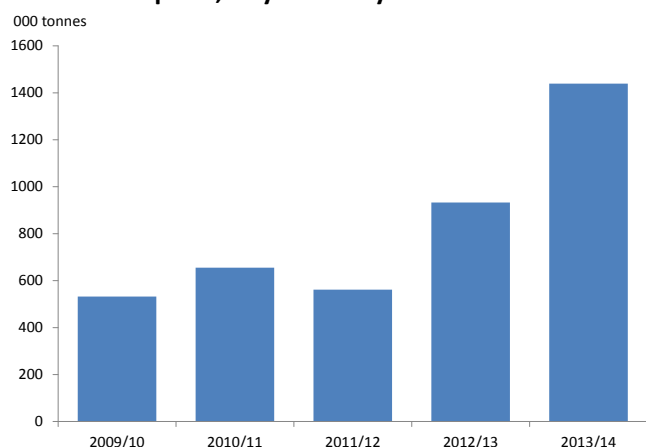
Results from the 2013 AHDB/HGCA Winter Planting Survey have revealed a vast increase in the wheat area planted by December 2013 in England and Wales. In comparison to harvest 2013, wheat area has increased by 19% to more 'normal' levels, following much improved autumn planting weather in 2013 in comparison to 2012. The rebound in area is the first step toward the UK re-establishing a wheat surplus, which would make prices more competitive with European values in an effort to re-stimulate exports.

Escalation has been seen in winter barley planting, a rise of 41% in December from harvest 2013. Although the total barley area will be dependent on spring plantings, the strong winter area and expected large carry-over stock should keep feed barley prices at a noticeable discount to feed wheat.

Scotland's winter planting survey revealed similar results to the England and Wales survey, with a 24% increase in wheat plantings, 19% for oats and a 3% increase in oilseed rape. The UK-wide rebound in winter wheat area could bring a sobering effect to the strong regional wheat premiums – especially in the north of England and Scotland.

Demand for maize in the UK has been amplified by the low wheat crop of 2013 and a lower global price year-on-year. The Defra supply and demand estimates reported in January predicted that around 1Mt of maize will be used for animal feed in the UK this season – around double the usual level. The chart below shows an increase in import figures over the last 4 years; UK cumulative import figures for July to January have revealed an increase of over 500,000t year on year.

UK maize imports, July - January



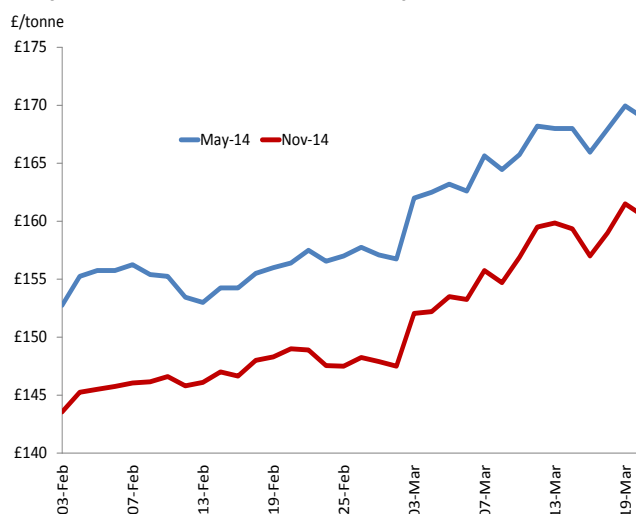
Dry conditions in key US wheat states are causing concern, with 34% of Kansas's wheat crop rated as good to excellent in the latest week, down from 37% for the previous week. Likewise, Oklahoma's good to excellent rating has decreased from 22% last week to 18%. Meteorologists have reported that over the coming days, rain will continue to be minimal for the region,

although some precipitation is likely towards the end of March.

With the drawdown in US wheat stocks this season, partly due to strong demand from China, production in 2014 will be of greater importance to overall availability. In line with Ukraine, dryness in parts of the US has supported prices, although it remains too early to draw firm conclusions.

Ukrainian politics remain on the radar as the potential risks to grain supplies are noticeable. Finance concerns may reduce Ukrainian grain production by 11Mt in 2014 as approximately 20% of Ukrainian arable land may not be planted due to the absence of financing as a result of the unrest, according to the Ukrainian Agribusiness Club (UCAB).

May-14 LIFFE feed wheat futures prices



UK wheat futures for May-14 have elevated to £169/t, an increase of £13 since February, this is also the highest May-14 futures price seen since October. Some minimal oscillation has occurred since the beginning of March. However, despite this, prices have continued to steadily increase. November-14 wheat futures have also followed a similar trend and have increased by £13 to £160.50/t, as at 19 March.

Figures for Brazil have shown that the soyabean harvest is 59% complete, up on last year's pace and the 5 year average. Heavy rain forecast in Brazil this week may help late-planted beans. Global oilseed production has been projected at 503Mt in the March USDA report; this figure is down 1.7Mt from February. Brazilian soybean production is down 1.5Mt which reflects the recent hot weather during flowering and filling stages.

The volatile global oilseed market continues to have implications for UK protein meal prices, with US supplies being squeezed and the world waiting for further Brazilian supplies. Hi-pro soya meal prices remain highly volatile.

In Brief

Pork proves popular out of the home

2013 was a year of two halves for the UK food service market, with a poor start outweighing growth in later months. Overall, consumers ate out less often and total food servings declined. This impacted on red meat consumption; the amount eaten was 3% lower, but pork bucked this trend.

Consumers are eating out less for convenience reasons and, instead, social factors are becoming more important. The number of visits made by groups with children has increased as family dining becomes more popular. This is a positive development for the industry, as these trips tend to be of higher value. Breakfast continues to show growth, however.

The warmer-than-average summer boosted the market, with visits growing 2% during June to September. Increasing consumer confidence may have also contributed, with visits up 1% in the last quarter. Over recent years, quick service restaurants (QSRs) have been the industry bright spot while pubs have struggled. However, in recent months, pubs have performed well, with the number of visitors up by 3%.

Total protein servings fell over the year but outperformed non-proteins. Pig meat accounted for the largest share of protein servings, although they fell by 4%. Beef also dipped slightly while lamb performed well over the year. Bacon, ham and sausage servings were all behind 2012 levels. In contrast, fresh pork dishes showed double digit growth, driven by the excellent performance of roast pork, with the largest increases at evening meals. Pork made strong gains across most foodservice channels, proving popular with consumers and outlets alike.

Bacon servings fell over the year, due to a reduction at QSRs and pubs, particularly at breakfast and lunch. Bacon sandwiches also showed a decline compared to last year. A bacon sandwich grabbed at lunchtime can perhaps be an easy option to drop in a bid to keep a tighter rein on spending. Meanwhile, sausage servings fell by 4%, driven by lunchtimes and afternoon snacks. Despite the overall growth at breakfast, bacon and sausage servings have declined. These products have a unique position compared to many other proteins and continued growth at this occasion highlights opportunities to regain lost ground.

In the latest quarter, pork's growth has accelerated further. Bacon sandwiches continued to hold the pig meat category back somewhat, although the performance of sausages has reversed and servings are up compared to the same period last year. This paints an encouraging picture for pork and with consumer confidence rising but budgets remaining tight, pork has a good opportunity to make further gains.

Higher exports from the German market

German pork exports strengthened in 2013, to 1.7 million tonnes, the highest annual figure on record and 2% up on 2012. The largest shares of exports were sent to Italy and Poland. Trade with non-EU markets came down by 3%, with a particular impact from Russia, due to a partial ban on German exports. In contrast, pork imported by Germany decreased by 4% compared with 2012, to 941,900 tonnes.

China and Japan ban Polish pork

Following the discovery of two cases of African Swine Fever in Poland, China and Japan have announced a ban on imports of pig meat from the country. This follows the earlier blocking of all EU pork shipments by Russia. Between them, these countries, took around 10% of Polish pig meat production. This has had a major impact on the Polish market; its reference price has fallen by over €20 since the cases were confirmed.

Lower production costs in EU but margins still tight

Latest figures from InterPIG show that, based on movements in pig feed prices, production costs at the end of 2013 were generally lower than average costs in 2012. However, this hasn't necessarily translated into positive producer margins as costs were similar to or higher than pig prices in many countries by the end of the year. Pig prices have fallen further since then, while feed prices have risen of late, tightening margins further.

Small increase forecast for EU production

In its latest Short Term Outlook, the EU Commission forecasts small rises in pig meat production in both 2014 and 2015. However, output will remain lower than in 2011. With some easing of prices expected in response, the Commission forecasts a small recovery in pig meat consumption, assisted by an improvement in the EU economy. The increased demand would mean that exports will be stable. The full report, can be downloaded by [clicking here](#).

Read more about these and other stories in Pig Market Weekly. To view past editions or to subscribe, [click here](#).

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