

In this Issue

Consumer confidence

Consumer confidence has shown impressive growth over the last few months, which could be the beginning of shoppers spending more. However, the grocery shopping habits developed during the recession are now ingrained and as a result are likely to be slow to change. An assessment of what this could mean for the retail market for pork can be found on page 4.

Poultry meat on the rise

Chicken is a key competitor for pork on UK and global markets and it has shown strong long-term growth, as poultry meat provides a cheap and versatile alternative to other meats. This has been achieved by improving efficiency throughout the supply chain, an example other livestock sectors could learn from. Key facts and figures on both the poultry and pig markets feature in the new AHDB/BPEX Pig and Poultry Pocketbook and highlights are covered on page 5.

Global Outlook

According to recent forecasts, pork supplies are likely to be tight in many parts of the world this year. With the exception of China, most major importers and exporters will experience lower volumes, in some cases because of less domestic production, in others because of reduced imports. To read more about the details and implications for the global market, turn to page 7.

Germany

Germany sits at the centre of the EU pig market; it is the largest producer, exporter and consumer of pig meat. As it has trading relationships with most other EU countries, developments in its market have a major influence well beyond its borders. This makes it the market to watch for the industry across the EU. Read about developments in the German pig market on page 8.

El Niño

El Niño is a weather phenomenon, which occurs roughly every 2 to 7 years. It typically brings drier weather to South East Asia and Australia and can cause severe drought. It is also associated with stronger winter storms in the southern US and greater rainfall in South America. Read about how this could affect global grains and oilseed markets on page 10.

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Key data

	Apr 14	Change since Mar 14	Change since Apr 13
GB DAPP (euro-spec) – p/kg dw	163.47	+0.69	+2.53
Average GB carcass weight – kg	80.13	-0.54	+0.83
30kg weaner price – £/head	56.71	+0.78	+7.65
7kg weaner price – £/head	40.49	-0.05	na
GB cull sow price – p/kg dw	na	na	na
EU Reference price – €/100kg dw	163.54	+7.97	-8.41
UK Reference price – €/100kg dw	190.91	+1.94	+8.17
UK weekly clean pig kill – 000 head	187.5	-7.1	-1.6
UK weekly pig meat production – 000 tonnes	15.8	-0.7	+0.2
UK pork imports – 000 tonnes*	29.5	+3.5	+2.0
UK bacon imports – 000 tonnes*	22.0	+2.1	+1.0
UK pork exports – 000 tonnes*	18.2	+4.1	+2.2
Retail pig meat sales – 000 tonnes†	56.0	+1.4	+0.4
LIFFE feed wheat futures – £/tonne	167.32	+1.46	-29.18
CBOT Soyameal futures – \$/tonne	483.90	+24.24	+78.97

*Figures relate to March 2014

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 27 April 2014

Interested in data? Get more detail about these and other areas from the [BPEX website](http://www.bpex.org.uk)

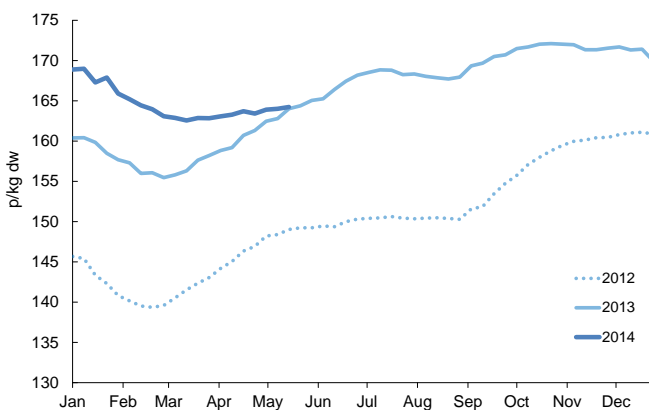
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UK Market Snapshot

The monthly GB finished pig price increased in April for the first time since October, to 163.47p per kg. While pig prices would typically rise from March onwards, this year subdued EU prices delayed the uplift. Last year, the horsemeat revelations meant a higher retailer preference for British pork. However, this year, the availability of lower priced imports into the UK added pressure on the domestic price, although volumes were only slightly higher than a year before. Therefore, the month-on-month change was only a marginal 0.69p increase.

Nevertheless, pig prices were still around 3p above last April's level, although the annual difference continued to narrow, having been as high as 18p in July last year. The first three weeks of May showed a further slow but steady recovery in finished pig prices, which reached 164.23p/kg for the week ended 17 May, still marginally ahead of the same week last year.

GB finished pig prices (DAPP)

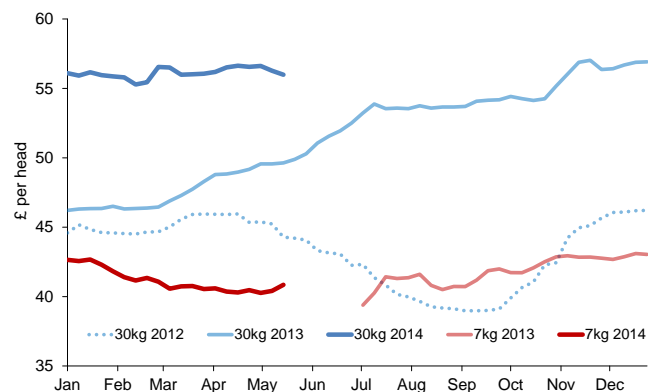


Source: AHDB Market Intelligence

The new GB APP was published for the first time during April. This price series, which will replace the DAPP following a six month transition period, is being collected from sellers (producers and marketing groups) rather than buyers (processors). Otherwise, the definition is the same. To date, the APP has averaged around 1.8p/kg higher than the DAPP for the same week. This is reflected in the average APP in April, which was 165.25p/kg.

The 30kg weaner market picked up slightly from the previous month at an average of £56.71 per head in April. Rising finished pig prices helped to support the market, despite some increase in feed prices during the month, due to the situation in Ukraine. The latest weaner price was nearly £8 per head higher compared with April 2013. Weaner prices in May continued to show some weekly volatility with little clear direction; the average for week ended 17 May stood at £56.21 per head. The 7kg weaner market in April remained sluggish and was almost unchanged from the previous month at £40.49 per head. This broad stability continued into May.

GB weaner prices

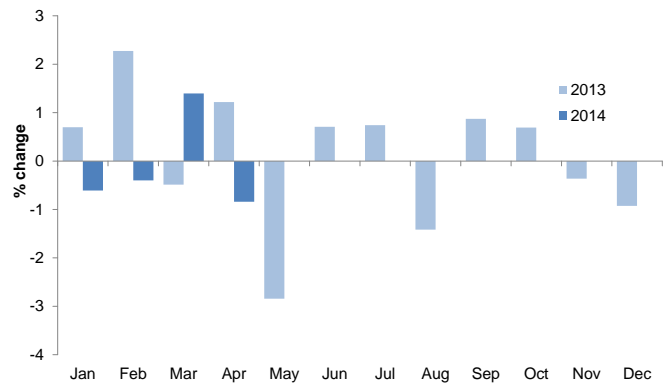


* prices after Nov 2013 are 3-week rolling averages

Source: AHDB Market Intelligence

Latest figures published by Defra recorded a 1% decline in UK clean pig slaughterings in April, to 937,200 head. Fewer working days in April, due to the later Easter Bank Holidays this year, are likely to have affected the kill numbers. Although slaughterings in England remained almost the same as last April at 761,400 head, Scottish throughputs were down by 9% year on year. However, Scotland kills only around 3% of the total kill and hence has a limited impact on the overall figures. The decline was, therefore, mainly driven by a 4% fall in Northern Ireland slaughterings. This brings the slaughtering figures for the first four months of the year to 3.4 million head, similar to the same period last year, indicating stable supplies.

Annual change in UK clean pig slaughterings



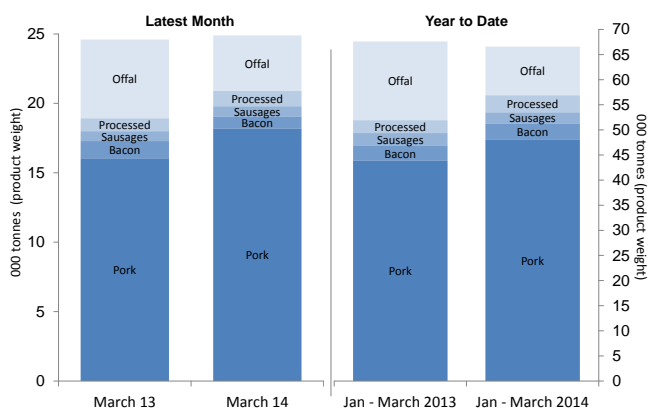
Source: Defra

UK adult pig slaughterings in April totalled 24,100 head, around 3% down on the same month in 2013, a similar rate of decline to the year to date. Reportedly lower sow prices and a younger herd are likely the main factors. The average clean pig carcass weight in April fell to 80.5kg, the lowest monthly figure since the turn of the year but the highest April figure on record. The seasonal fall in weights has been less apparent this year. As a result, total pig meat production in April increased to 79,000 tonnes. This was 1% higher than the same month in 2013. Given the higher carcass weights throughout the year, pig meat production in the first four months of this year totalled 291,000 tonnes, up almost 2% on the same period last year.

UK Market Snapshot

Latest trade figures show that UK pork exports in March were at their highest level since October 1998. The total was just shy of 18,200 tonnes, 13% up on the same month in 2013. In addition, exports to China/Hong Kong topped 5,000 tonnes for the first time ever (with shipments to China at a record 3,300 tonnes). The proportion of total pork exports shipped to the EU fell but volumes grew by 7% compared with March 2013. While supplies to Germany dropped by 8% on the year and shipments to Ireland were little changed, many other EU markets took significantly more UK pork than last March.

UK pig meat exports

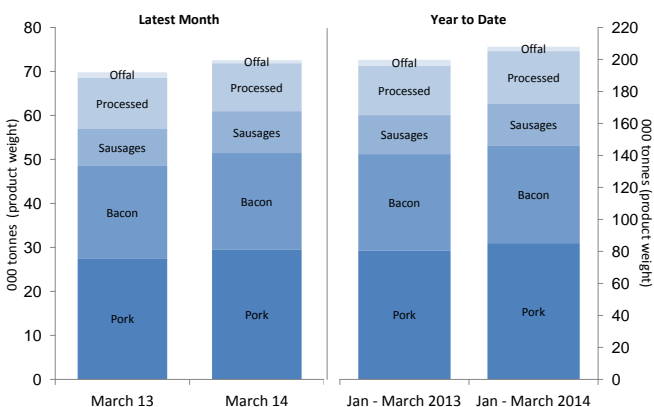


Source: Her Majesty's Revenue & Customs

However, the value of pork exports fell by 3% to £19.8 million, partly due to the stronger pound but also reflecting the lower value of cuts exported to non-EU markets. Despite a higher requirement from China and Hong Kong, offal exports dropped by 30% on the year during March, to 4,000 tonnes, due to much lower exports to EU markets.

Pork imports also increased in March, up 7% compared with a year earlier at 29,500 tonnes. With the exception of Denmark, whose shipments came down by 16% on the year, trade with other key suppliers rose. Germany became the leading provider of exports, increasing shipments by 26% compared with March 2013. Imports from the Netherlands and France also rose, by 8% and 17% respectively.

UK pig meat imports

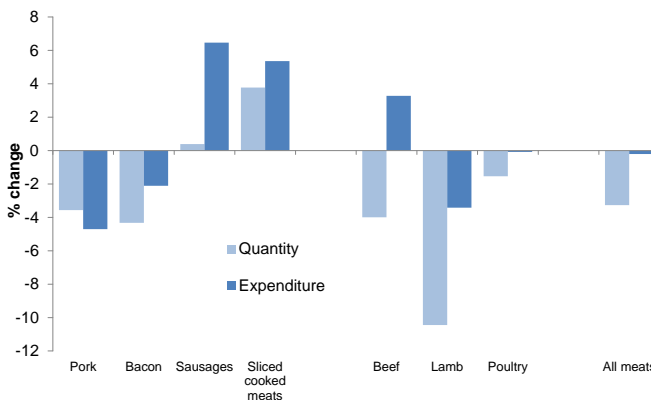


Source: Her Majesty's Revenue & Customs

As a result of lower prices, the value of imports in March totalled £56.5 million, only marginally up from a year previously. There was also 4% more bacon imported in March compared with March 2013, mainly due to a 50% rise in Danish supplies; other major suppliers sent less bacon to the UK. Demand for imported sausages also increased by 13% on the year, with higher supplies from across the continent, but other processed imports declined by 6% year on year, despite an increase in shipments from Ireland, the leading supplier.

Shoppers' spending on pork was down 5% year on year during February-April, according to the latest Kantar Worldpanel data. The fall in sales affected both fresh and frozen pork, although fresh fared much better due to maintained levels of promotions against a year ago. A small fall in prices meant that pork was even more competitively priced compared to both beef and lamb. However, this did not translate into increased purchasing, as sales volumes were also down. One reason for this is that a year after the horse meat scandal a re-adjustment in the market has meant that ready meal sales have recovered as consumer confidence has returned to this sector.

Annual percentage change in retail meat purchases (12 weeks to 27 April 2014)



Source: Kantar Worldpanel

Spending on sausages increased 6% over the latest period, compared to a year ago, with growth in both the premium and standard ranges. With premium, the growth was very much price led, as volume sales were down. Whilst prices were also up for standard sausages, albeit at a slower rate, volume sales grew by 2%, helped by increased promotional activity in each of the Big 4 Multiples.

The amount of bacon bought during the period was down 4%, led by joints and steaks, as levels of promotions fell back. However, volume sales of bacon continue to perform strongly in discounters, where they were up almost 20%. Shopper spend on ham was up almost 5%, led by increases in volume sales, with the discounters again contributing the bulk of the growth.

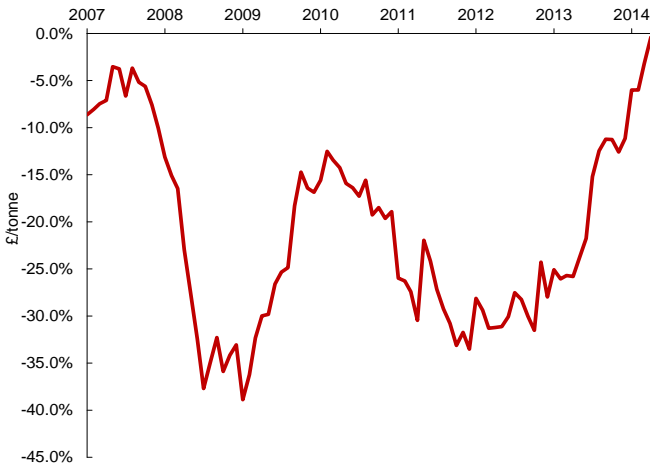
UK Market Analysis

Impact of rising consumer confidence on UK meat demand

Consumer confidence has shown impressive growth over the last few months, which could be the beginning of shoppers spending more. However, the grocery shopping habits developed during the recession are now ingrained and as a result are likely to be slow to change.

There have been a variety of good-news stories about the British economy over the last few months, from an increase in the predicted growth of the UK's GDP to unemployment levels falling to under 7%. Inflation has also dropped below the 2% target and, importantly, wages are showing the first real terms growth for years. Consumer confidence has been boosted by the positive news. Rising confidence and higher spending power should provide opportunities for the grocery industry. Consumers potentially have more money to spend but will they want to spend it and will red meat benefit?

Consumer Confidence Index

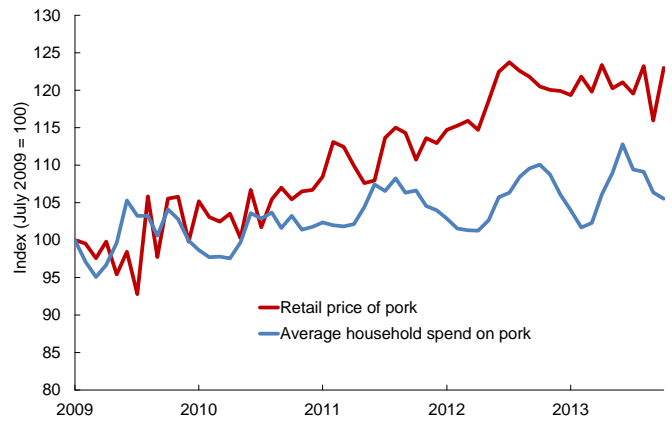


Source: European Commission

Over the five years between 2007 and 2012, average wages grew by 14%, while food prices rose much faster, averaging a 37% increase, according to figures from Defra. Consumers employed savvy shopping techniques in order to stop their grocery expenditure spiralling. They started shopping around a little more, particularly to the discounters such as Aldi and Lidl, which have both gone through a period of phenomenal growth. In contrast, the top four retailers have lost share, despite adopting a range of price-related messages and strategies. Shoppers also traded down to private label goods and cheaper alternatives across a variety of categories. IGD evidence suggests that this may not be a short term phenomenon; over two thirds of shoppers still say that saving money is a priority when grocery shopping.

Red meat has recorded steeper price rises than other food over the last five years, making many consumers change how they purchased meat. Although pork has remained competitively priced compared to other meats, average prices have risen. However, household spending on pork has not kept up with the price rises.

Retail price inflation and household spending on pork



Source: Kantar Worldpanel, ONS

This is because of the tactics employed by shoppers. Some have cut down on how much they buy; others have switched to cheaper cuts or cheaper tiers. The discounters have shown particularly strong growth in fresh categories, supported by messages focusing on quality. Promotions have also been key for meat sales in recent years; at Christmas 2013 they played a particularly important role in retailers' messages.

Although some shoppers have switched to pork from beef and lamb, over the downturn pork has shown volume decline, although it has performed a bit better than other red meats. There have been pockets of growth for processed meat, such as premium sausages and bacon; perhaps these products fit the demand for small, affordable treats.

When consumers were asked in March about what they spend their extra money on, only around one in five said food or drink for a special occasion, according to Mintel. This figure has shown a slight decline in the last few years. The largest rise has been for 'I never have any spare money', a telling picture of a typical consumer's economic situation.

Going forward, consumers are unlikely to abandon their ingrained habits, certainly in the short term. They have been shopping carefully over the last five years and this has become normal behaviour. Meat purchases have remained a steady proportion of household expenditure (around 20% of grocery budgets) before, during and after the recession and this is unlikely to change significantly going forward.

On top of this, it should be noted that even before the recession, households were spending smaller proportions of their budgets on grocery shopping, so longer term spending forecasts remain fairly cautious. Areas where consumers have cut back, such as furniture, are likely to be the biggest beneficiaries of an increase in purchasing power.

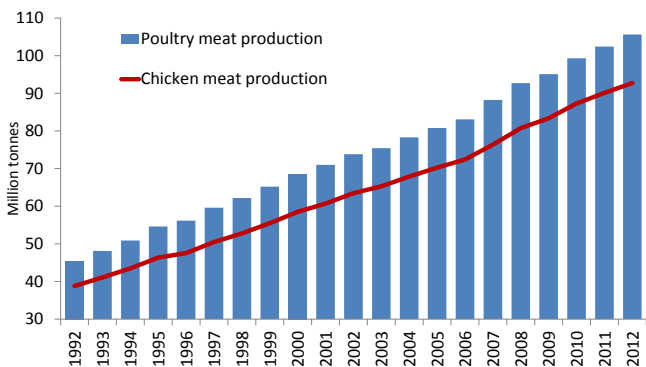
Eating out may be one area where meat could benefit from rising consumer confidence in the short term. It was one of the ways consumers cut back at the outset of the recession and some growth is expected over the coming months.

UK Market Analysis

Poultry meat on the rise

Poultry is set to become the world's favourite meat source, providing around 35% of all animal protein. It is popular amongst both developed and developing countries, providing a cheap and affordable protein source. Figures obtained from the UN Food & Agriculture Organisation show world poultry meat production more than doubling in the last 20 years, from 45.4 million tonnes in 1992 to 105.6 million tonnes in 2012. Chicken meat, in particular, accounts for around 90% of total poultry meat production. This means poultry is gaining a higher significance in livestock agriculture and is therefore a serious competitor to the red meat sector.

World poultry meat production 1992-2012



Source: FAO

There has been a similar development in the UK, which makes poultry more of a competitor to pig market. In light of the growing importance of the poultry market, AHDB/BPEX has incorporated data about the poultry sector into the 2014 edition of the Pig and Poultry Pocketbook, launched at this month's Pig and Poultry Fair. The Pocketbook contains the latest facts and figures about the pig industry and similar information for the poultry sector. Areas covered include animal and bird numbers, the supply chain, slaughterings and production, prices, imports and exports, consumption and carcass classification. The Pocketbook can be downloaded from the BPEX website by [clicking here](#).

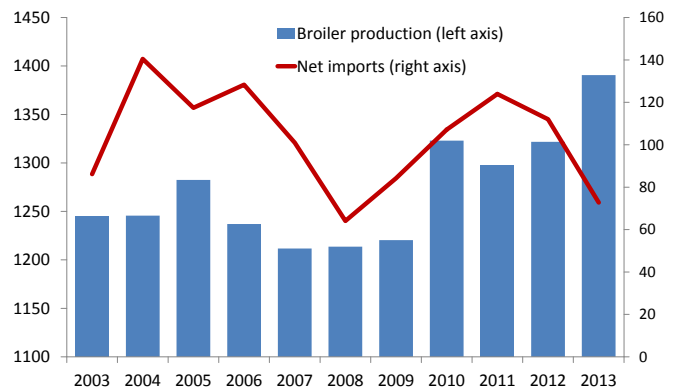
In contrast to the poultry market, long term trends show a decline in UK pig meat production since 1992, although output has picked up in the last decade, as portrayed in figure 4.5 of the Pig and Poultry Pocketbook. Despite rising availability of domestic and foreign pig meat, poultry is increasingly filling up consumer baskets as a result of competitive pricing, versatility and ease of cooking.

Data collected by Kantar Worldpanel show GB household pork purchases, by volume, have been below the previous year's levels since mid-2012. Meanwhile, chicken purchases showed the reverse trend until the back end of 2013, when higher retail prices for various chicken cuts bit into consumer budgets, indicating a strong correlation between chicken consumption and price. The fresh cuts, in particular, have struggled, with higher retail prices encouraging customers to switch to frozen cuts.

Similarly to the pig sector, poultry processors also face carcass utilisation challenges. In particular, chicken breasts are most preferred in the UK, with demand outstripping supply. Dark meat, on the other hand, is less favoured, which allows the opportunity to export some of the surplus. Annual figures for 2013 record a marginal decline in chicken imports, as higher domestic production and steady consumption reduced the import requirement. The first quarter figures for this year, however, showed chicken imports edge up slightly to 85,900 tonnes. Almost 95% of the supplies are sourced from the EU, with the Netherlands, Poland and Ireland being the primary sources.

Exports on the other hand, rose by a notable 15% in 2013, compared with the year before, mirroring the rise in pork exports. The EU accounted for 72% of total trade, with the Netherlands and Ireland being the main destinations, although many shipments to the former, in particular, are likely to be for re-export. African destinations were prominent in terms of non-EU markets, led by South Africa, Benin and Ghana. Unlike the situation for pork, access to key Asian markets, except for Hong Kong, is not yet available to the UK poultry sector.

UK broiler production and chicken meat trade balance



Source: Defra, HMRC

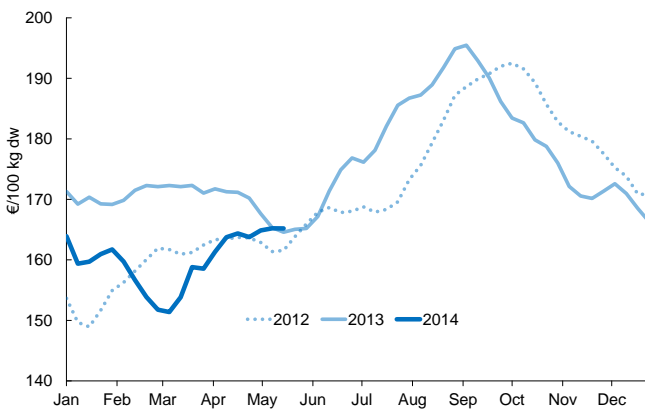
Looking forward, growth opportunities for the UK poultry sector look promising, given the high demand coupled with the unsubsidised and well integrated supply chains. Latest 2013 figures from Defra highlighted a 3% year-on-year increase in commercial broilers at 943 million head, while meat produced from broilers was up by 5% on the year to 1.4 million tonnes. In addition, efficiency improvements include better feed conversion and reduced finishing periods, helped by steady improvements in genetics and management. In fact, improved industry efficiency is the main reason poultry meat is so affordable, with poultry meat prices increasing at a slower rate than pork and other meats over the last decade or so, an example other livestock sectors could learn from.

EU Market Snapshot

EU Market Snapshot

The average EU reference price for April recovered from the low point after the ASF cases earlier in the year and reached €163.54 per 100kg. This was around €8 higher than in March but remained below the January figure of close to €170 per 100kg. It was also around €8 lower than a year before. However, EU prices have been sluggish in the first two weeks of May, despite reports suggesting some tight supplies in the market. For the week ended 18 May, the EU pig price stood at €165.19 per 100kg, although it is now close to its level a year earlier. At the latest price, the difference between the EU and UK price is around €30, a smaller gap than earlier in the year, when EU pig prices dropped to their lowest point, but still high by historical standards.

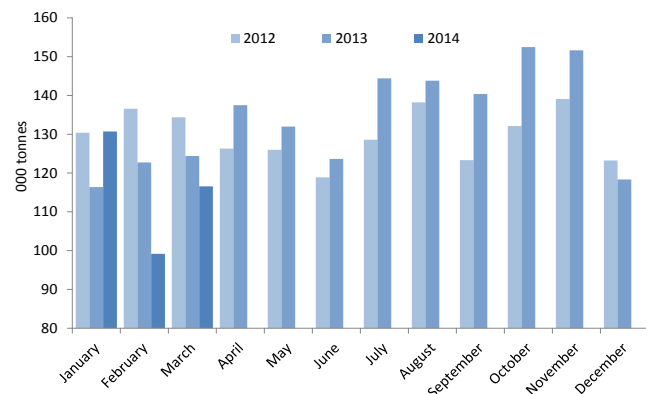
EU average pig reference price



With no new ASF cases reported in Poland and improving demand from Asian markets, pig prices increased during April in all key Member States. Amongst the main markets, the highest increase between March and April was recorded in France where prices rose by €13, followed by Poland (up €11), Spain and the Netherlands (both up €10). Price rises in the other key countries ranged from €5 to €8. During the first couple of weeks in May, prices were broadly stable in most major Member States, except for France where there were some sharp falls, due to subdued demand.

At 116,600 tonnes, latest figures indicate a 6% year-on-year decline in EU pork exports in March, a considerable improvement from the 19% decline in February. The ASF-related Russian ban left a dent on the EU export market but higher requirements from Asian markets have reduced the impact. Demand for EU pork was positive in all the key Asian importers. Supplies to China rose marginally while Japan imported 15% more compared with March 2013. South Korea gained a higher significance in the EU market, as volumes exported increased from 7,100 tonnes in March 2013 to 15,700 tonnes in the same month this year. However, overall exports were subdued as a result of the collapse of trade with Ukraine and Belarus, as well as Russia.

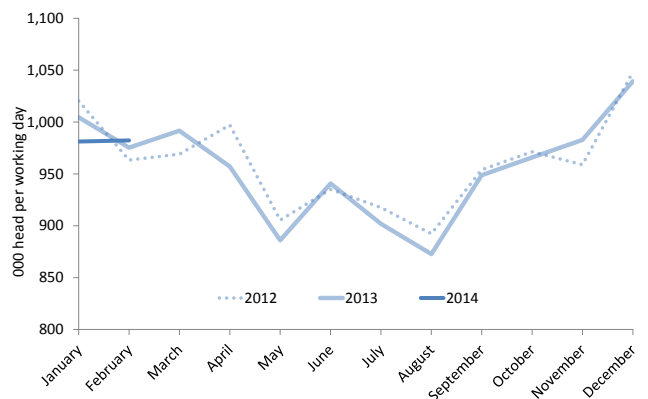
EU monthly pork exports



Source: Eurostat, GTIS

Pig offal exports strengthened by 9% in March, to 82,800 tonnes. Similar to the pork market, excess supplies following the Russian ban were picked up by the Asian markets. China and Hong Kong dominated offal exports, with an increment of 17%, while the Philippines continued to emerge as an important secondary market. Taiwan more than quadrupled its intake, although it still represented only a 3% share of the overall market.

EU pig slaughtering trends



Source: Eurostat

After the decline in the first month of this year, latest figures from Eurostat, indicate a marginal uplift in pig slaughtering in February at 19.7 million head. From the main EU producers, the pig kills in Denmark and Germany came down by 3% and 1% respectively, compared with February 2013. The situation in France was similar while Italy recorded a 10% decline. However, these lower throughputs were offset by increased numbers in the Netherlands (up 10%) and Poland (up 11%). Throughputs in Spain were almost unchanged from the same month last year. With carcase weights also slightly heavier, EU pig meat production in February this year was up just under 1%, at 1.77 million tonnes.

March slaughtering figures are only available from some Member States but these indicate that, on average, throughputs were little changed from a year earlier, despite one extra working day this March. This confirms that EU supplies remain relatively tight.

Global Market Analysis

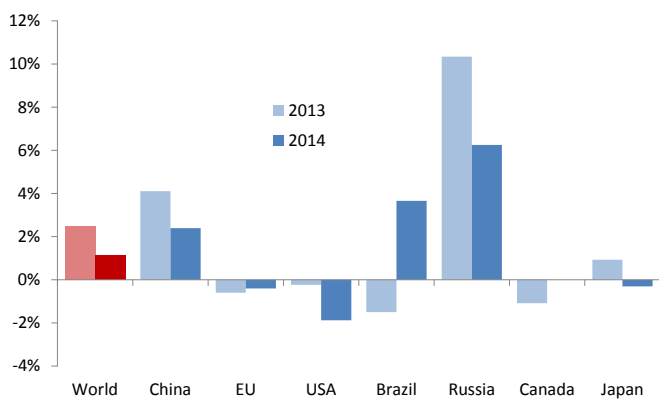
Global pork supplies tightening

According to recent forecasts, pork supplies are likely to be tight in many parts of the world this year. With the exception of China, most major importers and exporters of pig meat will experience lower volumes on their markets. In some cases this will be because of less domestic production, in others because of reduced imports. This tight supply should provide support to prices, although the extent of this will depend on how demand responds.

In its latest global outlook report, the US Department of Agriculture (USDA) forecasts that pig meat output in the major producing countries will increase by just over 1% this year, to 110.7 million tonnes. This is less than half the growth rate recorded in the previous two years and is largely attributable to production growth in China. Other forecasts suggest an even greater tightening of supplies, with global production expected to be lower than last year.

As highlighted in last month's Pig Market Trends, Chinese pig prices have been under considerable pressure. This is leading to some culling of sows, exacerbating the current oversupply in the market. The effect is likely to be lower production later this year and into next, although government intervention may mitigate this to some extent. This should create opportunities for exporters into next year. This year, imports may be little changed as there is still demand from wealthier Chinese consumers, who lack trust in domestic meat.

Annual change in pig meat production in selected countries



Source: USDA

Elsewhere, the USDA report forecasts lower production in the US and some Asian countries, including Taiwan, Korea and Japan, in part due to the impact of PEDv. The disease will also affect output in Canada and Mexico; USDA forecast stable production but other commentators suggest the latter, in particular, will be harder hit than USDA forecasts. Production is also set to be lower in the EU, as the impact of poor profitability and welfare changes continue to affect the market. Brazil is the only significant exporter likely to have higher pig meat supplies this year.

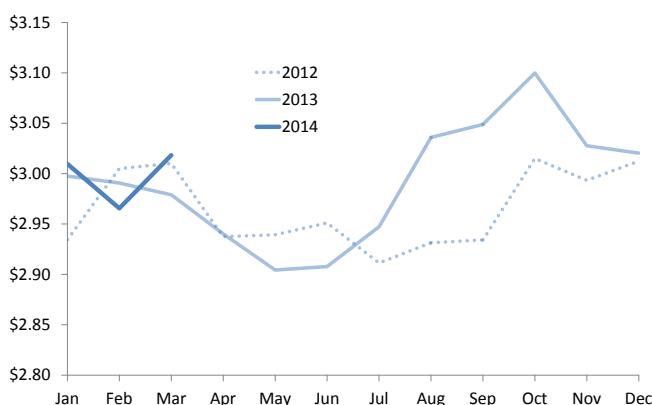
The tight supplies across the global pork exporters will inevitably limit the volume of pork traded globally. Brazil may export more pork but it accounts for less than 10% of world trade and the football World Cup could boost consumption on the domestic market. Therefore, it won't be able to fully compensate for lower shipments from the EU, US and, perhaps, Canada. Although there may be little extra demand from China this year, other Asian markets will be looking for more imported pork to offset declining production.

This will make it particularly difficult for Russia to find alternative suppliers to make up the gap in its pork market left by the lack of EU supplies. Therefore, it is likely to bear the brunt of the fall in global trade; USDA forecasts Russian imports will be down by a quarter. Despite much higher domestic output, with 6% growth forecast, this will mean there is less pork available for consumption in Russia, inevitably pushing up prices.

The chances are that, with not enough pork to go around, consumption will stagnate or fall in many other key markets too. USDA is forecasting declines in the amount of pork eaten in most North American and Asian markets, although not in China. EU consumption is set to rise, however, partly due to the loss of the Russian market increasing supplies and suppressing prices.

The impact of tight supplies on global prices was apparent in average export prices in March. Having fallen in February, following the Russian ban on EU pork, prices quickly rebounded in March to average US\$3.02 per kg. Prices from the major exporters also converged, with the average price of US exports only fractionally lower than the EU price. This increased competitiveness should help the EU to find markets for product displaced from Russia.

Average global export prices for fresh and frozen pork



Source: GTIS, AHDB Market Intelligence

Looking further ahead, the ongoing impact of PEDv is likely to mean supplies remain tight in early 2015. In addition, the sow culling taking place in China may lead to growth there slowing. However, as the PEDv impact eases, global production should return to growth later in the year.

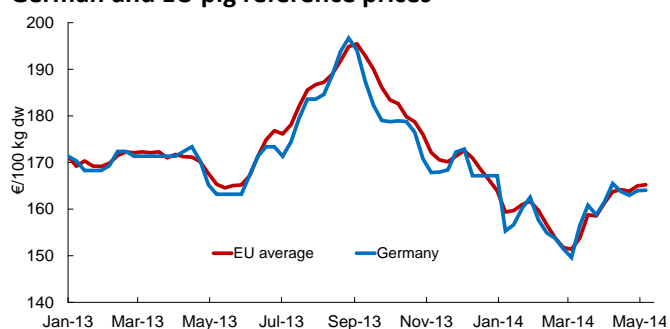
Global Market Analysis

German market stabilising after tough times

Germany sits at the centre of the EU pig market; it is the largest producer, exporter and consumer of pig meat. In some years, it has been the largest importer too. It also imports and exports significant numbers of live pigs. As it has trading relationships with most other EU countries, developments in its market have a major influence well beyond its borders. This makes it the market to watch for everyone in the industry across the EU.

The importance of Germany is emphasised by looking at the relationship between its pig prices and the EU average. The difference between the two quotes is rarely more than €3 per 100kg and, in recent years at least, they have never stayed that far apart for very long. While this is partly due to the high weighting the German price has in the average, it also shows the extent to which it influences prices in its trading partners.

German and EU pig reference prices



Source: EU Commission

So, how has the German market been developing recently? Three key trends have been apparent in recent years. First, German consumers love of pig meat has eased a little. Consumption remains among the highest in Europe at over 50kg per head (twice as much in the UK). However, it has fallen by around 3kg per person since 2011 as a result of lower consumer confidence, higher prices and competition from poultry meat.

The weather plays a part in German pig meat demand too. Much of the consumption is driven by barbecue products, including sausages, and this relies on good weather during the spring and summer. The cold and wet springs of the last few years haven't helped demand. This year the weather has been dull again, apart from a spell in March, keeping a lid on demand.

However, reduced consumption hasn't led to lower pig prices. In fact, they have been stronger, although more volatile, in the last few years. This is the result of the other two key trends – reduced production and increased exports.

German pig meat production rose for 11 consecutive years up to 2011 (and by 40% during that time), partly due to the efficiency of German finishers, who imported increasing numbers of weaners from elsewhere. However, output fell in 2012 and was only marginally higher in 2013, pushing prices higher. Much of the increase in 2013 was due to a rise in imports of slaughter pigs, mainly from the Netherlands.

In each of the last two summers, prices have approached €2 per kg but have yet to break through that barrier. As they approach this level, there is considerable pressure from processors to drop prices, so even a small increase in supply leads to sharp price falls. Last autumn was no exception; while supplies were similar to the previous year, they were higher than many forecasts predicted. This meant prices fell by around €30 per 100kg between late August and the end of the year.

Since the start of this year, however, supplies have tightened again. Up to mid-May, German slaughterings tracked below last year's levels and overall throughputs have been around 2% lower on the year, based on provisional figures. Forecasts suggest that tight supplies will continue for the rest of the year, which should provide support to prices. However, much will depend on demand, which brings us to the third key trend.

Since 2005, German pig meat exports have more than doubled and they continued to rise in the last two years, despite lower output. Processors realised some years ago that, with a stable domestic market, they needed to develop export markets. This also enabled the industry to optimise carcass values, as the domestic market is dominated by lower-valued cuts and so premium cuts (such as hams to Italy) can be exported. Imports, which have been virtually unchanged since 2005, also consist more of lower valued pork (such as sow meat) for use in processed products. The average value of German imports last year was €1.88 per kg, while exports averaged €2.31.

While this has helped support the German market, it does leave it vulnerable to trade disruptions such as the recent Russian import ban. This contributed to an 8% year-on-year fall in pork exports in the first quarter of 2014. Sharply increased volumes to several Asian markets helped to mitigate this fall and allowed pig prices to recover from their low point in early March.

With PEDv limiting US supplies and creating extra demand from Asia, export prospects look positive for the coming months. If better weather stimulates more demand on the domestic market, prices may resume their seasonal upward trend. However, while the Russian ban remains in place, any repeat of the highs of the last two years seems unlikely, although this may mean that any price falls in the autumn are more modest.

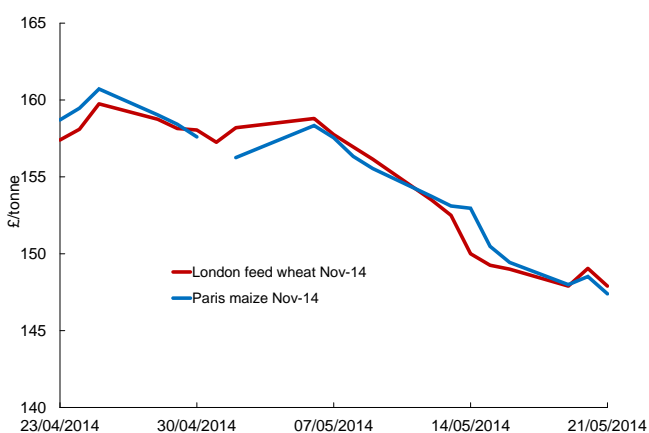
Over the last year, the impact of the German market on the UK clean pig market has been limited. However, as the dominant buyer of UK sow meat, Germany continues to drive prices here. The German sow price usually follows trends in finished pig prices and GB sow values track German ones pretty closely. German quotes have been broadly stable of late, although they have slipped back in the latest weeks. However, the recent strengthening of the pound means GB prices have fallen. Nevertheless, with positive signs for firm German pig prices, the sow market has potential to strengthen in the coming months.

Feed Market

Grain markets began to exhibit weakness from the middle of the month, on the back of increased confidence for next season's supply situation. The entire price rally that emerged alongside the outbreak of tensions in Ukraine has now been undone. Oilseed markets have continued to strengthen over the month, led by soyabeans, as traders are not yet confident that the tight US stock situation will be relieved.

Nov-14 LIFFE wheat fell £9.40 between 23 April and 21 May to £147.90/t, while Nov-14 Paris maize fell £11.50 over the same period to £147.31/t, following losses in global wheat and maize markets. Further deterioration of the US winter wheat condition seems to have helped the market here find some support, although the latest weather outlook suggests that there could finally be substantial precipitation for the drought-affected states. This may be too late to help potential yields recover but it will, at least if realised, further reduce any remaining support for prices.

European futures price for key feed grains



Source: Reuters

The release of USDA's World Agricultural Supply and Demand report on 9 May fundamentally altered the direction of grain markets. Increased estimates of global maize supplies next year plus the rapid advance of maize planting in recent weeks eased fears of tight supplies for now. This suggests a higher level of global maize carry-over, which can more than offset the forecast 16% drop in Ukrainian production. At 73% planted, US maize planting progress is only slightly behind the five-year average and ahead of last year's progress (65% at this point), when record yields were achieved nonetheless. Maize yields have also proved to be high in the ongoing South American harvest, leading some production forecasts to be increased for the region earlier in the month.

Weather and crop conditions in the EU are currently looking favourable, with 83% of the French maize crop sown by 12 May, against 77% a year ago and 73% of the wheat crop is rated as good/excellent. Concerns over Ukrainian (and potentially Russian) farmers' access to finance have already been built into grain prices, although

planting progress and crop conditions are very good in both countries. The Russian Agricultural Ministry recently increased its forecast total grain production by 5Mt to 100Mt, which again offers confidence that, globally, any problems can be more than offset to provide sufficient world supplies next season. However, weather remains a key factor and so the market is unlikely to respond fully until forecasts are realised.

In contrast to trends in grain markets, Nov-14 Paris rapeseed prices have changed little over the month while Chicago soyabeans have increased on the back of lack of confidence (so far) that improved supplies next season will be realised. Tightness in current US soyabean stocks, exacerbated by no let up in US crush levels despite firming prices, has leant further support to prices.

However, UK rapemeal and soyameal spot prices have declined over the month, with soyameal (Hi pro, ex store, East Coast) falling £24 between 22 April and 16 May to £363/t and rapemeal (ex-mill, Erith) falling £29 to £212/t. This price ratio places rapemeal currently at a competitive price point relative to soyameal, as the latter is more than 1.6 times the cost. Domestic crop and stock level confidence, as well as the strengthening pound, is helping to insulate the domestic meal market from rising soyabean prices.

The first estimate of world oilseed output in 2014/15 by USDA painted a bearish picture, with production expected to outperform the current season's record. Although total rapeseed production is forecast to be lower than in 2013/14, this is more than offset by the expected record soyabean crop. Interestingly, USDA did not increase their estimates of this season's soyabean production in South America despite various domestic bodies there raising estimates, suggesting the potential for even further downward pressure on prices.

China cancelled a number of further soyabean cargoes around late April due to poor crush margins. Chinese demand for soyameal eased as a result of disease issues in pig and poultry producers, although this may be a short-term effect and margins could improve in a few months' time. By then, more of the South American crop should be available.

Furthermore, there are few concerns about US soyabean planting progress, European rapeseed conditions or the ability of Canada to move its sizeable canola (rapeseed) stocks next season, leaving markets in a fairly benign state for now. Most participants are waiting for more confirmation that the potentially strong supply situation next year will be realised before trading at lower prices. Essentially, the risk of trading at too low a price is too high, given the lowest US stock levels in a decade. In the meantime, the soyabean market continues to trade upwards in an attempt to reduce usage levels that have proven higher than expected.

In Brief

Threat of El Niño Developing in 2014

El Niño is a weather phenomenon, which occurs roughly every 2 to 7 years. It occurs when easterly trade winds in the Pacific weaken, allowing warmer waters from the western Pacific to migrate eastward and eventually reach the South American coast. While El Niño is the warm part of the cycle, La Niña is the cool part, associated with a strengthening of trade winds and abnormally cool temperatures in the eastern Pacific. La Niña often, but not always, follows El Niño.

Abnormally warm sea surface temperatures in the tropical Pacific Ocean are part of how El Niño conditions are identified. Current conditions are neutral or 'normal' and have been since 2012. However, many forecasters are suggesting that an El Niño is increasingly likely to develop during 2014. According to a new tracking system, an El Niño Alert, is currently in place, indicating at least a 70% chance of an El Niño occurring. However, based on historical data, an 'El Niño Alert' would have been reached twice since 1980 without an El Niño occurring.

The phenomenon typically brings drier weather to South East Asia and Australia and can cause severe drought. El Niño is also associated with stronger winter storms, potential flooding and landslides in the southern US. From an oilseeds perspective, the potential for greater rainfall in South America is also important.

The development of El Niño conditions is most likely to have a negative impact on palm oil and Australian wheat production, potentially pushing global prices higher. In the last El Niño event (2009/10), Australian wheat yields were in line with the previous year but in the previous event (2006/07), wheat yields were some of the lowest on record.

Palm oil production is initially forecast to continue the rising trend of recent years but, with some exceptions, El Niño events have historically led to lower production. As palm oil is typically the cheapest vegetable oil globally, a reduction in supplies could add upward pressure to oilseed prices. However, the situation is not straightforward as the potential for greater rainfall in parts of South America may support soybean production. The overall effect on production and, thus, prices will depend on the timing and severity of any El Niño impacts.

In the US, El Niño could mean increased rainfall over the southern states and California, which have suffered from drought over the last 3 years. However, given that the peak of El Niño conditions typically occurs at the turn of the year, any increase to rainfall would occur during autumn and winter 2014/15 with potential benefit to crops harvested in 2015.

China still importing more pork

Chinese pork imports reached 142,000 tonnes in the first quarter of this year, 8% higher than the same period in 2013. The US shipped 38% more, partly due to the easing of Chinese restrictions relating to Ractopamine use. Volumes from the EU remained at a similar level to last year, accounting for 62% of Chinese imports. In contrast, offal imports declined by almost a fifth in the quarter, down to 175,300 tonnes.

Russian imports fall due to ban on EU pork

Russian pork imports in the first quarter of this year were 22% down, following the ban on imports of EU pork from early February. EU shipments were down by two-thirds, despite having been only marginally lower in January. A separate ban on US pork meant the main beneficiaries have been Canada and Brazil. However, they could not offset the decline in EU pork, with overall imports down 29% in February and 38% in March, compared with last year. Import prices were significantly higher, although this was mainly due to the devaluation of the rouble because of the political tensions in the region.

Rabobank forecasts 'Not enough pork to go around'

In its latest Pork Quarterly report, Rabobank forecasts pork shortages in many countries in the coming months. This is largely the result of PEDv outbreaks in the Americas and Asia. These supply shortages are likely to keep prices high. The tight global supply situation is being exacerbated by Russia's ban on EU pork imports, which has increased its demand for pork from other exporters. Only in China are supplies plentiful, with low prices meaning producers are losing money.

Danish pig numbers up in April

According to the April census, total Danish pig numbers increased 2% compared with a year earlier. A 4% increase in the number of weaners was the main contributor to the overall rise. The breeding herd remained almost unchanged but the piglet count was 1% higher, showing continued productivity growth.

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

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