

## In this Issue

### Competitor meats

While pig meat consumption has held up relatively well during the economic slowdown, latest data show a 2% decline in pork purchases in the last year. In fact, falling meat consumption was evident across all red meat and poultry categories. The overall fall in consumption of fresh and frozen meat comes despite higher supplies of most meats being available on the UK market. This is being driven by rising imports, with much of the extra product likely destined for use in processed products or foodservice. This situation is putting pressure on the UK prime cattle market, in particular. However, beef and lamb supplies are likely to tighten later in the year. To read more about developments in the poultry, beef and lamb sectors turn to **pages 4 and 5**.

### PEDv in the US and Asia

Since last year, a new strain of Porcine Epidemic Diarrhoea Virus (PEDv) has been creating havoc in the US pig industry. Although the rate of new infections has declined, the impact is far from over. In addition, since the disease reached the US it has spread to several other countries in the Americas and Asia. It is now starting to cause disruption to markets in many parts of the world and will remain a key driver of the global market for the rest of this year and beyond. Read more about how PEDv is impacting on global pork markets on **pages 7 and 8**.

### Retailer promotions

Shopper purchases of fresh red meat have declined over the last few years. Consumers remain price sensitive and price rises for meat have played a part in reduced purchases. Against this backdrop, promotions have become increasingly important. Nearly half of fresh pork is now sold on some form of deal. A number of recent studies suggest that shoppers are generally moving away from multi-buy deals, preferring temporary price reductions. Read more about how these changes to promotional mechanics are affecting the red meat market on **page 10**.

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## Key data

	May 14	Change since Apr-14	Change since May-13
GB DAPP (Euro-spec) – p/kg dw	164.25	+0.78	+0.19
Average GB carcass weight – kg	79.89	-0.24	+0.91
30kg weaner price – £/head	56.13	-0.58	+6.29
7kg weaner price – £/head	40.87	+0.38	na
GB APP (Euro-spec) – p/kg dw	166.12	+0.87	na
GB cull sow price – p/kg dw	na	na	na
EU Reference price – €/100kg dw	163.96	+2.46	-6.90
UK Reference price – €/100kg dw	194.93	+3.89	+6.99
UK weekly clean pig kill – 000 head	187.8	+0.3	+4.6
UK weekly pig meat production – 000 tonnes	15.8	-	+0.8
UK pork imports – 000 tonnes*	29.2	-0.3	+1.6
UK bacon imports – 000 tonnes*	19.9	-2.1	+1.1
UK pork exports – 000 tonnes*	15.1	-3.2	-
Retail pig meat sales – 000 tonnes†	62.0	-0.4	-0.1
LIFFE feed wheat futures – £/tonne	155.35	-11.97	-30.28
CBOT Soyameal futures – \$/tonne	492.40	+8.50	+59.90

\* Figures relate to April 2014

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 25 May 2014

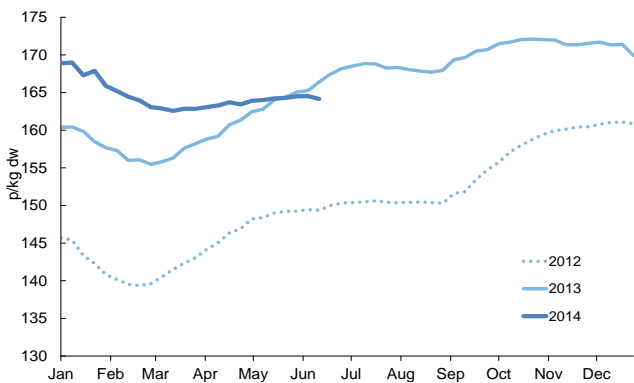
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## UK Market Snapshot

The EU-spec DAPP averaged 164.25p per kg in May, less than a penny higher than in April. This represented the smallest increase for this time of year since 2005. With prices increasing more slowly than is normal this spring, the average was almost the same as it was in May 2013. The gap to year earlier levels has narrowed every month since July, when it peaked at just over 18p per kg. A modest increase in domestic supplies and rising imports, on the back of relatively low EU prices, contributed to the sluggish market this year. Subdued consumer demand, particularly for fresh pork, also had a part to play.

### GB finished pig prices (DAPP)

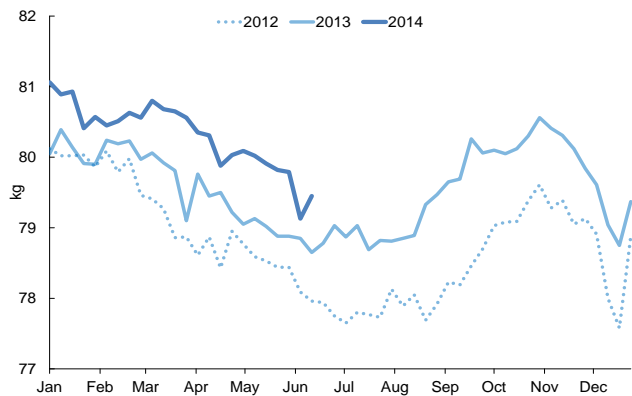


Source: AHDB Market Intelligence

Towards the end of May, the DAPP dropped below its level a year before for the first time since August 2012. The market remained finely balanced in early June, with a drop in the second week taking the EU-spec DAPP to 164.15p per kg. The new GB APP showed a similar trend, with the monthly average for May less than a penny higher than in April at 166.12p per kg.

Clean pig carcase weights continue to track well above year earlier levels. The normal seasonal decline in weights has again been later and less marked this year, as it was last year. Since the start of this year, weights have averaged around three-quarters of a kilo heavier than a year before, helping to offset relatively tight pig supplies.

### Average carcase weights for GB finished pigs



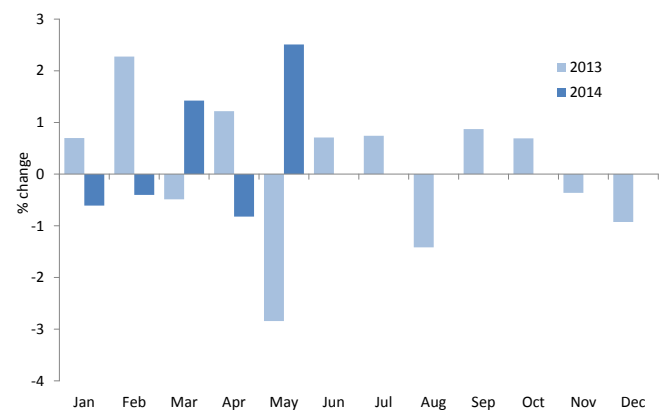
Source: AHDB Market Intelligence

The broad stability in the weaner market which has been apparent since last summer continued in May and early June. Despite the soft finished pig market, low feed

prices mean that finisher confidence remains fairly buoyant. The average price for a 30kg weaner during May was £56.13, slightly lower than in April but in line with recent months. Breeders were, on average, still receiving £6 more for each weaner than they were a year ago. The 7kg price is showing some signs of strengthening. The average May price of £40.87 per head was only 38p higher than in April but by mid-June, the price had reached £41.99, its highest level since late January.

May clean pig slaughterings in the UK totalled 751,300 head. This was nearly 3% higher than in the same month last year, the biggest annual increase since December 2012. However, it is worth noting that throughputs were particularly low in May 2013 and this year's figure was lower than in May 2012. Overall, supplies remain relatively tight, with slaughterings for the first five months of the year virtually unchanged on a year earlier at 4.19 million head. During May, English throughputs matched the growth rate of the UK as a whole, while Northern Ireland also recorded an increase, with 4% more pigs killed than last May. However, Scottish slaughterings were 6% lower.

### Annual change in UK clean pig slaughterings



Source: DEFRA

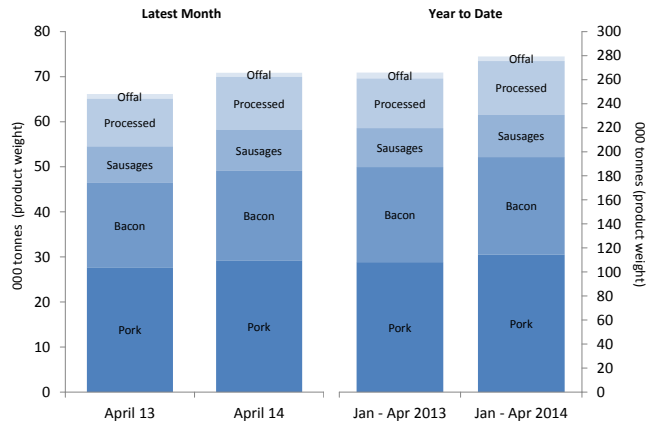
UK adult pig slaughterings recorded a year-on-year increase for the first time since June 2013. At 19,400 head, they were 2% up on the year. This added to the amount of pig meat produced during the month, as did heavier clean pig carcase weights. At 80.4kg, the average carcase was lighter during May than was the case during the previous four months. However, this still represented a record level for the time of year (and indeed the five heaviest average carcase weights on record have all been this year). As a result, the UK produced 5% more pig meat during May than a year before. Total output was 63,200 tonnes.

The latest figures from HMRC show a 6% year-on-year increase in UK pork imports in April, to 29,200 tonnes. Supplies were up from the majority of key suppliers, with the exception of Denmark (down 11%) and Ireland (down 23%). However, these declines were more than offset by stronger trade with other EU countries. Imports from Germany increased by 14% on the year,

# UK Market Snapshot

making it the leading supplier for the second straight month, while shipments from the Netherlands and Belgium increased by 19% on a year earlier.

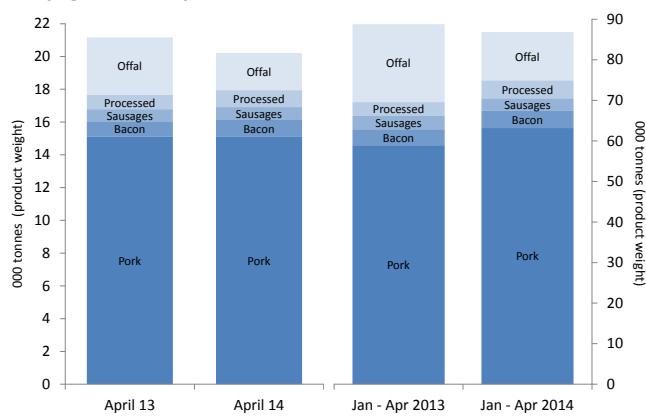
## UK pig meat imports



Source: Her Majesty's Revenue & Customs

Imports of bacon and ham also rose by 6% compared with April 2013, at 19,900 tonnes. Denmark and the Netherlands are the two main suppliers of bacon to the UK and in April the Danes led the market with a 19% increase, while Dutch volumes were 4% down on the year. There was a similar trend in sausages, imports of which rose by 12%, and other processed products, with volumes up 11% year on year. In both cases there was a rise in imports from Ireland, Poland and Germany but lower Dutch shipments.

## UK pig meat exports



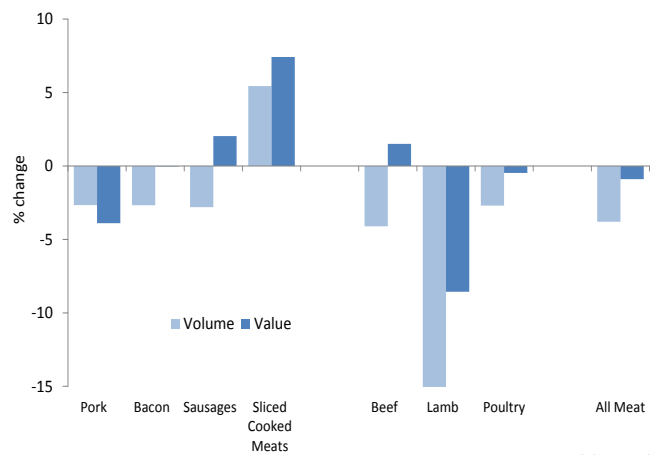
Source: Her Majesty's Revenue & Customs

UK pork exports showed a mixed picture in April, although overall shipments were almost unchanged at 15,100 tonnes. Germany continued to lead the market, with trade up by 31% on a year earlier, recording the highest April figure since 2008. However, after a record month in March, shipments to China were down by a fifth on the year, meaning Ireland displaced it as the second most important export market during the month. The drop in Chinese trade was replicated in other non-EU markets, with shipments down 23% overall. There was a clear downward trend for offal exports, a 35% decline compared with April 2013. The significance of UK offal declined further on the EU market, where volumes fell by 45% year on year.

However, unlike other recent months, offal shipments to China/Hong Kong also came down.

Shoppers' spending on pork was down 4% year on year during March to May, according to the latest Kantar Worldpanel data. The fall in sales was driven by declining expenditure on chops/steaks and leg roasting joints. Despite lower prices for these cuts, this did not translate into greater purchasing as volume sales also suffered, most notably on leg roasting joints, where sales fell by just over 20%. This has been led by a drop in promotional intensity in one of the major multiples and some consumers, particularly those shopping with the hard discounters, switching to chops/steaks. Despite these switching gains, volume sales of chops/steaks also fell, partly due to a shift from volume-driving X for Y promotions to price promotions. The one sector that continues to perform well is mince, which enjoyed volume growth of a fifth against a year ago.

## Annual percentage change in retail meat purchases (12 weeks to 25th May 2014)



Source: Kantar Worldpanel

Spending on sausages increased 2% over the latest period, compared to a year ago. While growth came from all categories, standard sausages contributed some two thirds of the actual growth in value sales. The growth in the standard tier was driven by increased prices across most retailers, which did not impact on volume performance. Expenditure on bacon was flat year on year, with a 3% drop in volume sales being offset by an equal increase in prices. Shopper spend on ham was up 6%, driven in the main by increased volume sales in the discounters, where prices were down some 5% against a year ago.

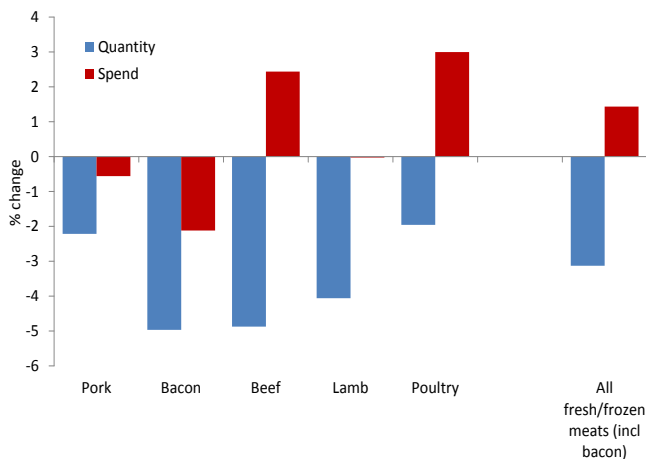
New figures from Defra show a 14% increase in the output of pig production in England during 2013, to total £1.06 billion, the highest figure since 1996. The increase was largely due to higher prices, although a small rise in production also contributed. The share of gross agricultural output in England which came from pigs rose from 5.2% to 5.6% during the year and they accounted for around 11% of all livestock output and 21% of output from meat production.

# UK Market Analysis

## Mixed fortunes for pork's competitors

While pig meat consumption has held up relatively well during the economic slowdown, latest data from Kantar Worldpanel show a 2% decline in fresh and frozen pork purchases in the year ending 25 May 2014. This comes despite some easing in retail pork prices as of late, indicating subdued demand. In fact, falling meat consumption was evident across all fresh and frozen red meat and poultry categories. Despite lower unemployment and a recovering economy, UK consumer budgets continue to be squeezed as a result of wages staying below the inflation rate. This is leading to some changes in consumer preferences and retailers' promotions which are starting to hit volume sales for all major proteins.

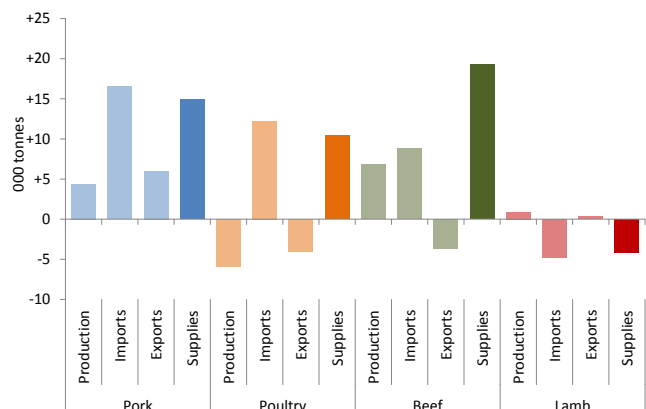
## Annual change in retail meat purchases (52 weeks ending 25 May 2014)



Source: Kantar Worldpanel

The overall fall in consumption of fresh and frozen meat (and bacon) comes despite higher supplies of most meats being available on the UK market, with the exception of lamb. This is being driven by higher imports (again lamb being the exception), with much of the extra product likely destined for use in processed products or foodservice. Retail purchases of most processed meat products, including ready meals, have been higher in early 2014 than a year earlier.

## Annual change in UK meat supplies, January - April 2014 v 2013



Source: AHGB MI, Defra, HMRC

Poultry meat is a direct competitor of pig meat and, as highlighted in last month's Pig Market Trends, sales have grown over time. However, despite its competitive pricing, even poultry has suffered lately. For the year ending 25 May, fresh and frozen poultry meat purchases came down by around 2% on the previous 12 months. This is partly a consequence of higher retail prices; consumers still spent 3% more during the period.

UK poultry meat production fell back in early 2014, in contrast to the steadily rising production of recent years, contributing to the higher prices. Overall output in the first four months of 2014 was 1% lower than a year before at 562,000 tonnes, although chicken production was little changed. Higher imports, along with lower exports, have more than offset the lower domestic supplies. However, with most retail sales of fresh poultry being UK product, the imported meat is likely ending up in other parts of the market.

With feed prices falling of late, prospects for some resumption of the upward trend in poultry meat production look reasonable. However, with wholesale prices under pressure from lower priced imports, particularly as the pound strengthens against the euro, much will depend on whether consumer demand begins to strengthen as economic recovery becomes more embedded.

The UK beef market remains under pressure as increased supplies are entering the market at a time when consumer demand appears to be very subdued. Latest figures show a 5% year-on-year decline in beef purchases for the 52-week period ending 25 May. There has been an even sharper fall in sales of roasting and stewing cuts, while mince sales have held up better, falling by only 2%. Burger sales were up 8% having recovered from last year's horsegate revelations, with other processed products also faring better. These trends mean that it has been more difficult for processors to optimise the value of carcasses.

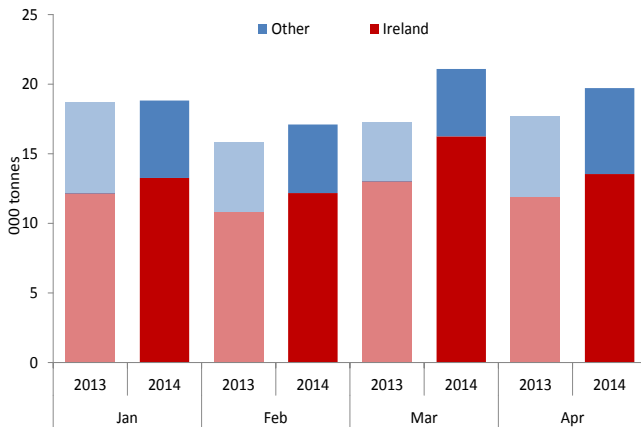
Currently UK beef production is ahead of 2013 levels, with slightly more prime cattle coming forward and much increased carcass weights after the better feed situation over the last year. In the first four months of the year, domestic beef production was up 2% on the year.

At the same time, UK imports of beef have increased compared with a year ago, with volumes up 11% in the first four months, almost entirely due to a 15% increase in Irish volumes. This comes as Irish production has been well ahead of year earlier levels. Higher numbers have been slaughtered and weights have lifted after the better seasonal conditions. With the UK remaining by far the largest destination for Irish beef, this increase was largely inevitable. Additionally, Irish cattle prices have been under sustained pressure since last summer and have fallen considerably, resulting in the price

## UK Market Analysis

differential between the GB and Irish trade being wider than usual. This, combined with the strengthening of sterling against the Euro, has further encouraged these imports.

### UK fresh and frozen beef imports



Source: HMRC, GTIS

The same drivers have meant that UK exports remain uncompetitive in key export markets. So, with increased domestic production, higher imports and lower exports, the volume of beef on the UK market has been much higher than year earlier levels. These increased supplies have largely met very lacklustre demand, with mild weather and strong prices discouraging consumers to some degree. This follows on from a reportedly poor Christmas, which resulted in beef prices not undergoing the expected seasonal increase.

As such, the supply/demand balance has been out of kilter and become very unfavourable for producers. Farmgate beef prices have come under serious and sustained pressure since the turn of the year. The latest GB all prime price for the start of June represented a decline of 14% since the start of January.

The current excess supply in the beef market is likely to be a relatively short-term phenomenon. Forecasts suggest that production will start to fall back again later this year and into 2015, both in the UK and Ireland. This should stabilise the market and lead to some firming of prices, provided consumer demand holds up.

During 2014, the lamb market has largely experienced benign conditions, as the global and domestic supply and demand balance looks to be much improved. Although overall retail lamb purchases have been down on last year, this is in comparison to a period of strong sales on the back of increased imports from New Zealand. Purchases of British lamb remain robust.

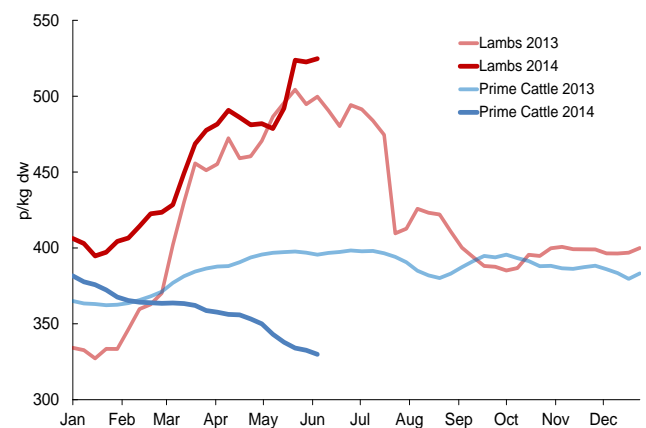
With a smaller lamb crop in 2013 and better marketing conditions, lamb supplies in the early part of this year were mostly tight. However, they were offset by much increased carcase weights, after the better seasonal conditions. Similarly, lower adult sheep cullings were

somewhat offset by higher weights. As such, UK production has been running slightly ahead of 2013 especially after a strong April. Current indications are that supplies of new season lambs will be higher and throughputs are currently well ahead of recent levels.

These largely level domestic supplies, combined with a generally much reduced volume of imports, have met a seemingly much improved demand position, both at home and abroad. So far this year, imports of sheep meat have mostly tracked below the high levels recorded in early 2013. Volumes from New Zealand were down in particular, as their focus switches to China and they have found some improvement in other markets. While Australia has increased shipments to fill some of this gap, they are still limited in their ability to fill any shortfall, mostly as a result of the current quota regime in the EU. With good demand on the global market, average import prices have been well ahead of year earlier levels too, adding further support to the UK market.

Currently, export demand seems to have been robust in 2014, with traditional European markets generally holding up relatively well. Meanwhile, the newer non-EU markets have continued to take much increased volumes, with the first quarter of the year a new record high for exports to these destinations.

### GB deadweight cattle and sheep prices



Source: AHDB/EBLEX

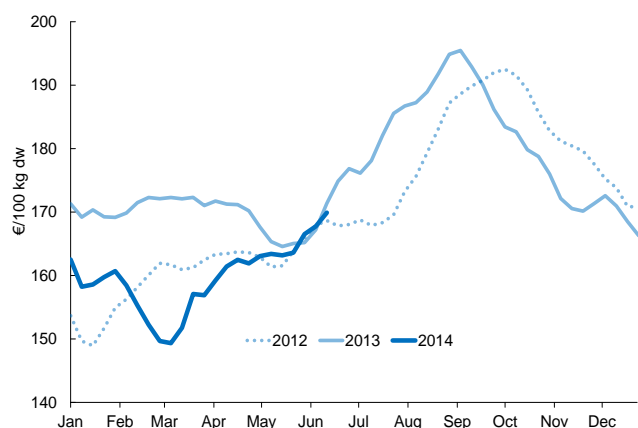
Overall the lamb market at home and globally has experienced much more favourable market conditions than a year ago. As such, domestic farmgate values have been largely stronger and have tracked ahead of recent years' levels. At the start of June the trade was still holding up strongly (rather than experiencing the usual seasonal decline) and was at record levels for the time of year.

Prospects remain broadly positive for the remainder of the year, although prices will probably ease seasonally. Even with a better UK lamb crop this year, tight supplies in New Zealand and Australia are likely to limit the availability of lamb. This should continue to provide some support to the domestic market.

## EU Market Snapshot

EU pig prices were broadly stable during May, averaging just under €164 per 100kg. This was around €2 higher than the April average but was still below the level recorded last May. However, by the end of the month, prices were close to their level a year before. Strong orders from Asia had helped to mitigate the loss of the Russian export market. On the European market, somewhat dull weather kept a lid on demand but the arrival of better conditions brought the barbecues out in northern Europe. This led to prices resuming their upward trend as May gave way to June. By week ended 18 June, the EU average price had almost reached €170 per 100kg, its highest level of the year so far and similar to a year earlier.

### EU average pig reference price

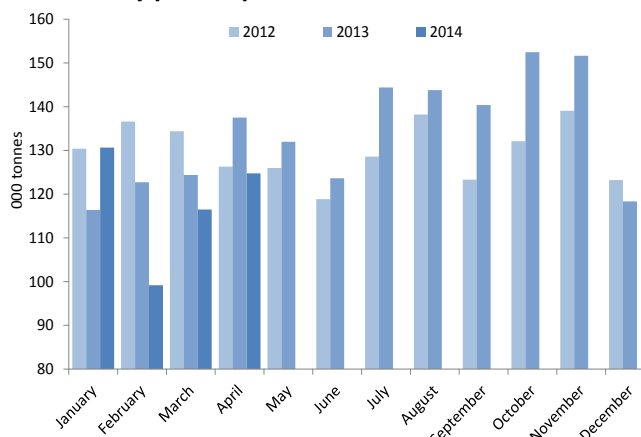


Source: EU Commission

Prices in most northern Member States were higher in May than in April, in most cases by around €2-3 per 100kg. For example, German prices increased by just under €3 to €166.47 per 100kg. In contrast, both French and Spanish prices were under pressure as supplies were somewhat more plentiful and consumer demand subdued. The average Spanish price in May was €3 lower than in April, while the French average was down by €5. In early June, prices were rising in most major EU countries, although the French market remained somewhat subdued.

Despite the loss of their largest market, Russia, EU exporters continue to find alternative buyers for much of the displaced product. As a result, EU pork exports in April were only 9% down on the year, totalling 124,800 tonnes. This was achieved despite China taking 9% less EU pork this April, while trade with Ukraine and Belarus also collapsed. These falls were largely offset by strong growth in shipments to most other significant markets, many of which were affected by PEDv, which either hit domestic supplies or reduced competition from US pork (or both). Among growth markets, shipments to South Korea and the United States more than doubled, while Japan took over 60% more EU pork. There was also solid growth to other Asian markets, such as Hong Kong, the Philippines and Singapore.

### EU monthly pork exports

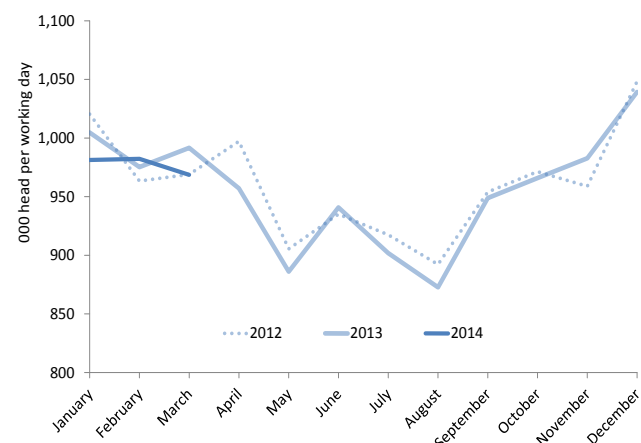


Source: Eurostat, GTIS

Offal exports were only marginally lower than last April as, once again, alternative markets have been found for product which would previously have gone to Russia. China and Hong Kong, both took slightly less EU offal this April but many smaller markets in Asia and Africa took greatly increased volumes.

The latest EU-28 pig slaughtering figures published by Eurostat placed monthly throughputs 2% above the previous year's level. However, there was one extra working day as Easter fell later this year. In fact, throughputs on a per-working day basis were actually 3% down on March 2013, indicating some tightness in supplies. Overall EU pig meat production in March reached 1.82 million tonnes, also 2% up on a year earlier as average carcase weights were virtually unchanged.

### EU pig slaughtering trends



Source: Eurostat

Spain recorded the largest year-on-year increase, with March throughputs up 14%, followed by Denmark, around 8% higher. Pig supplies in many other key markets, including Germany, the Netherlands, Poland and France, increased by around 1% on a year earlier, indicating tight supplies here. Among those countries which have released figures for April so far, there is a mixed picture on slaughtering trends.

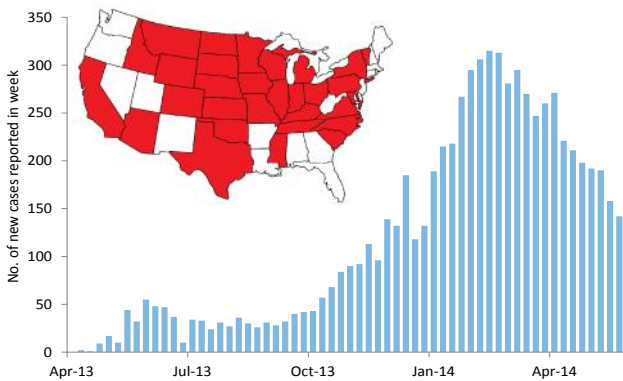
# Global Market Analysis

## Impact of PEDv spreading beyond the US

Since last year, a new strain of Porcine Epidemic Diarrhoea Virus (PEDv) has been creating havoc in the US pig industry. Although the rate of new infections has declined, the impact is far from over. In addition, since the disease reached the US it has spread to several other countries in the Americas and Asia. It is now starting to cause disruption to markets in many parts of the world and will remain a key driver of the global market for the rest of this year and beyond.

The total number of PEDv cases reported in the US has now topped 7,000, with 30 states affected. New outbreaks have slowed from the peak in February, as expected given PEDv is mainly a winter disease. However, recent reports that at least one farm has been infected for a second time suggest that the disease might be around for longer than previously thought. A further rise in cases next winter seems likely, although probably not reaching the same levels as this year and perhaps with lower mortality rates.

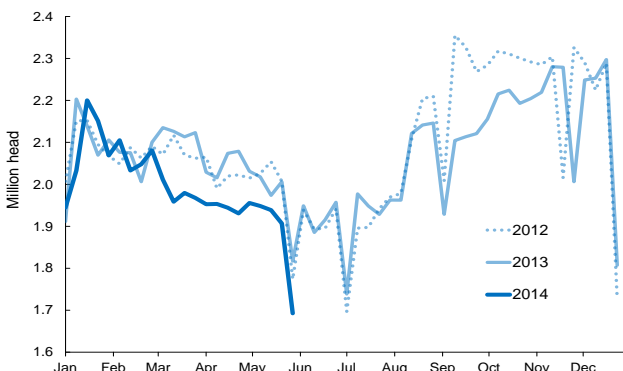
## Spread of PEDv cases in the US



Source: US National Animal Health Laboratory Network

Having started the year close to year earlier levels, US clean pig slaughtering have been lower since March. During this time, throughputs have been down by over 5% year on year, with 1.4 million fewer pigs killed over three months. The shortfall in slaughtering is likely to increase until around August, when piglets lost at the peak of the outbreak in February would have been expected to come to market.

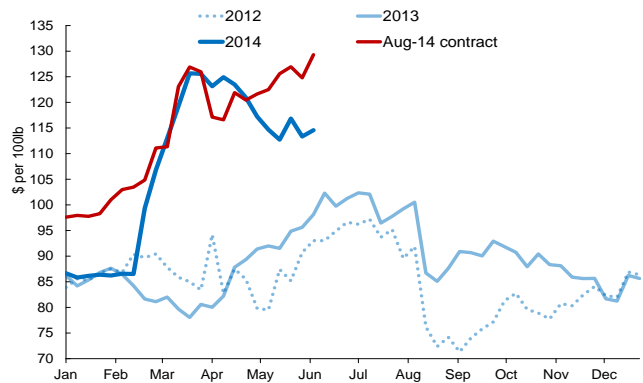
## Weekly federally inspected US barrow and gilt slaughtering



Source: USDA

Even before supplies started to tighten, expectations that they would do so caused a price reaction. Having been close to year earlier levels around the turn of the year, hog prices began to rise very rapidly from mid-February onwards. This is illustrated by Chicago lean hog futures prices, which started February at around \$85 per 100lb (about 115p per kg) and by mid-March had reached \$125 (about 166p per kg). This was, at least in part, due to processors seeking to secure product in anticipation of much tighter supplies later in the year.

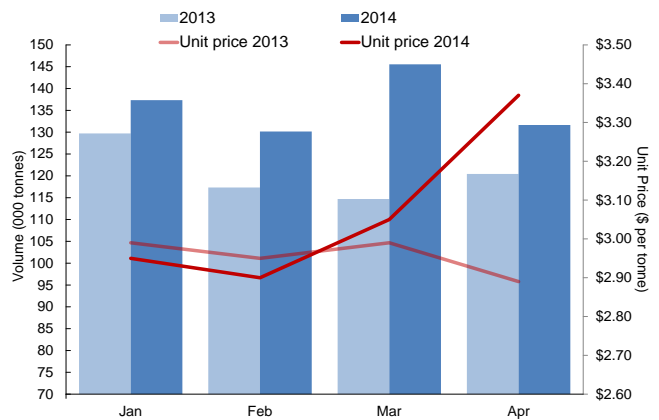
## US nearby lean hog futures prices (and August 2014 contract)



Source: Chicago Mercantile Exchange

Since the start of April, nearby prices (which are typically in line with the actual price paid for pigs) have subsided somewhat, although they remain above previous record highs. This suggests that cold stores are filling up and so there is less demand than was the case a couple of months ago. Nevertheless, the market is still anticipating tightening supplies in the coming months, with August futures prices continuing to rise to over \$130 per 100lb. This suggests that pig prices may not have reached their peak yet.

## US pork exports, January - April



Source: US Department of Commerce

Recent US export figures confirm that supplies in cold stores may be higher than current domestic consumer demand requires, given that high retail prices are subduing sales. Shipments remained higher than last year in March and April, despite the lower slaughter. However, by April, rapidly rising prices were beginning to slow growth.

## Global Market Analysis

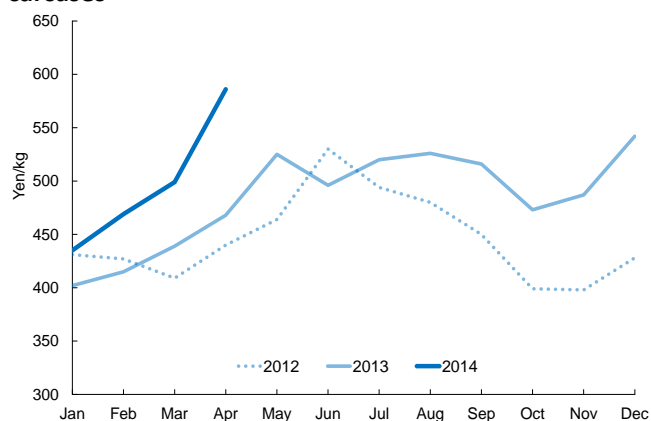
These higher prices will make US pork less competitive, although with supplies tight on many key export markets, there will still be some demand for it. Nevertheless, with US slaughterings expected to fall further, there will be opportunities for other major exporters, particularly the EU. The strong demand is partly because the impact of PEDv is now spreading beyond the US.

Outbreaks of PEDv have now been recorded in Canada, Mexico and several other Latin American countries. Canadian producers have done a good job of containing the disease, with fewer than 70 cases since the first report in January 2014 and only a handful since the end of April. Most have been in Ontario, with only single cases in three other provinces. This small number of cases is unlikely to have much impact on the market as a whole. However, given the close links with the US, Canadian pig prices have also risen dramatically.

Information from Mexico is harder to come by. At the end of May, tests confirmed 83 outbreaks in 17 states but, as PEDv is not a notifiable disease, it is not known whether this is an accurate reflection of the true extent or not. Rabobank suggest a near 10% decline in Mexican pork production is possible this year. This is supported by recent price movements as they have started to rise in anticipation of shortages ahead. In addition, Mexican pork imports, mainly from the US, were up 20% in the first quarter of the year and prices were 16% higher in US dollar terms.

As the US's leading export market, developments in Mexico will have an impact on the amount of American pork available on other global markets. However, as it is only a minor recipient of EU pork, developments in Asian markets will have far more of an impact on the European pig industry. Two of the main Asian importers, Japan and South Korea, have been affected by PEDv outbreaks in recent months, along with several other Far Eastern countries. The disease is thought to have originated in China, where it has been present, and affecting production, for several years.

### Japanese wholesale prices for excellent grade pig carcasses



Source: Tokyo Central Wholesale Meat Market, ALIC

In Japan, reports suggest that at least 220,000 piglets have been lost to the disease since it was first reported in October. By the end of March, this had had little effect on pig slaughterings – indeed it is equivalent to less than 2% of annual Japanese throughputs. However, as in America, prices were starting to rise in anticipation of tighter supplies ahead. By April, wholesale carcass prices had reached their highest level since 2008 and prices would normally continue rising until the summer.

In the first four months of this year, Japan imported 7% more pork than a year before. In April, the year-on-year rise was as much as 17%. With limited availability of US and Canadian supplies, the EU was the main beneficiary with a 19% rise in shipments overall and a 30% increase in April. This would have been very welcome to exporters who had been hit by the Russian ban on EU pork earlier in the year.

Opportunities were also available in South Korea, another country hit by PEDv. In the first quarter of this year, its imports were only up by 2% overall but shipments from the EU rose by more than a third.

The South Korean pig market has been highly volatile since a major Foot & Mouth Disease outbreak in late 2010. Once the herd had recovered from this, the younger, healthier animals led to a rise in productivity, resulting in over-production. Therefore, having experienced record prices in 2011, producers faced substantial losses in 2012-13. This meant reductions in the herd, which were already starting to lead to price inflation before PEDV hit. Increased demand, as consumers switch from poultry meat following several Avian Influenza outbreaks, have also contributed to rising prices.

At the start of June, Korean pig prices were reportedly around ₩5,600 (£3.30) per kg liveweight. This compares with around ₩3,500 (£2.00) at the turn of the year. Although this is partly a seasonal development, the latest price is well above the ₩4,507 (£2.60) a year ago. Prices have reportedly also risen sharply in a number of other Asian countries. While these have not traditionally been major pork importers, supply shortages could open their markets to some extent. One example is the Philippines; EU trade figures show a 69% year-on-year rise in exports to that country in the first quarter of 2014.

The strength of demand from Asian markets has helped to provide some support to EU pig prices at a time when they were vulnerable following the Russian ban. There is every prospect that demand will increase further during the summer and autumn, as the impact of PEDv last winter peaks in both Asia and the US. Although the UK is not a major exporter to Japan or Korea, the situation can only be of benefit to prices here too.



## Feed Market

Grain markets have had a bearish tone in recent weeks and prices have continued to decline throughout June, with record contract lows being reached on several occasions. Confidence for next season's supply remains strong as crop conditions look healthy across the UK and on a global scale. With larger yields and strong crop areas anticipated, it is likely that the UK will return as a net exporter next season. Therefore, price competitiveness with other EU exporters, which also have good crop prospects, is imperative. Oilseed markets have been supported on a short term basis by low US soyabean stocks. Palm oil prices have also been maintained by stronger demand ahead of the start of Ramadan (29 June).

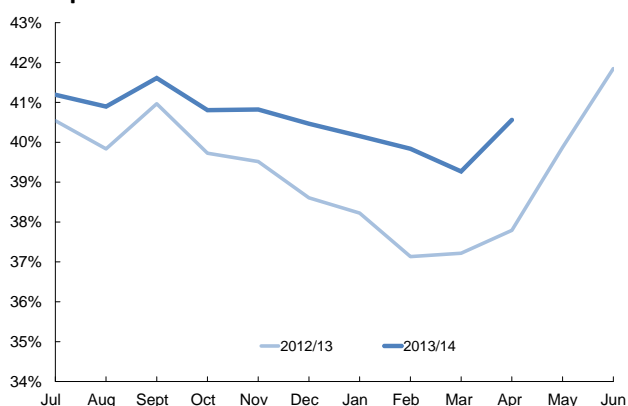
Nov-14 LIFFE wheat prices declined by £12.30/t between 16 May 2014 and 16 June; prices hit their lowest point so far on 16 June, at £136.20/t. During the same time period, prices for Nov-14 Paris maize contracts also fell €8.75/t, reaching their lowest since October 2013 on 17 June, at €174.50/t.

The June USDA supply and demand estimates, released on 11 June, continued to paint a mainly bearish picture for the grain markets. Larger 2014/15 wheat crops in India, EU, Russia and China offset the decline in US wheat production, which was previously helping to support grain prices. The International Grains Council (IGC), revised down their estimates for global wheat production by 2%, due to the expectation of more "normal" yields compared with last year's highs. Estimated total maize output was increased by 1%, on the back of favourable crop prospects.

The threat of El Niño and dry weather in some parts of Australia, led to the downward revision of the Australian wheat crop from 24.8Mt to 24.6Mt. There are low levels of soil moisture in northern New South Wales and Queensland and expectations of above average temperatures in Australia this winter. The threat of El Niño is becoming more apparent, with reports of a 70% chance of the phenomenon occurring during the southern hemisphere spring (from August 2014).

Fourth official estimates of UK cereals supply and demand were published at the end of May. Compared with the March estimates, the amount of wheat, barley, maize and oats used in animal feed this season was revised 81Kt higher to 11.3Mt. Compared with 2012/13, this is a decline of 0.4%. The usage data shows a higher cereal incorporation rate (CIR) in compound feed production than in recent years. The CIR in compound animal feed production has averaged at 40.6% compared with 39.1% for the same period in 2012/13. Lower grain prices, relative to other feed ingredients, are likely to be the main incentive behind this season's higher CIR.

### Cereal incorporation rate in UK compound animal feed production



Source: Reuters

Nov-14 Paris rapeseed also saw large declines of late; in the month to 16 June prices dropped €10/t. Chicago Nov-14 soyabean prices increased by \$2.02/t during the same period, a result of tight current US soyabean stocks. It was reported that US processors ran down stocks of soyabeans to meet significant Chinese demand for soyameal through the winter. With strong export demand and rising US soyameal prices, old crop (Jul-14) soyabeans reached a 3-week high on 29 May. However, fundamentally the outlook for the new crop is unchanged, with large global supplies expected.

The latest USDA export sales data reveal that, as at 22 May, 5.49Mt of US soyabeans had been sold to China for delivery in 2014/15, representing 58% of total new season sales. A further 110Kt of US soyabeans were sold to China by private exporters during the past week. Better crush margins in China are likely to be behind renewed levels of demand.

Physical UK rapemeal and soyameal spot prices have continued to decline over the month, with soyameal (Hi pro, ex store, East Coast) falling £16 between 2 May and 13 June to £352/t and rapemeal (ex-mill, Erith) falling £10/t to £214. European new crop rapeseed is becoming increasingly competitive relative to US soyabeans and Canadian canola (rapeseed). Good European crop prospects and tight US soyabean stocks have caused the respective crop prices to converge, which could support demand for EU rapeseed.

The 2014/15 rapeseed crop is looking good across Europe according to Strategie Grains, leading to the analysts increasing their production estimate by 0.2Mt, making it 3.3% higher year-on-year. Crop development is a few weeks ahead of schedule in Germany, as is generally the case in the UK, as revealed by the latest report from ADAS. Australian canola production is projected at 3.47Mt by the Australian government bureau ABARES, down from 3.76Mt in 2013/14. The area is up 3% but yields are expected to return to more typical levels after the highs in 2013/14.

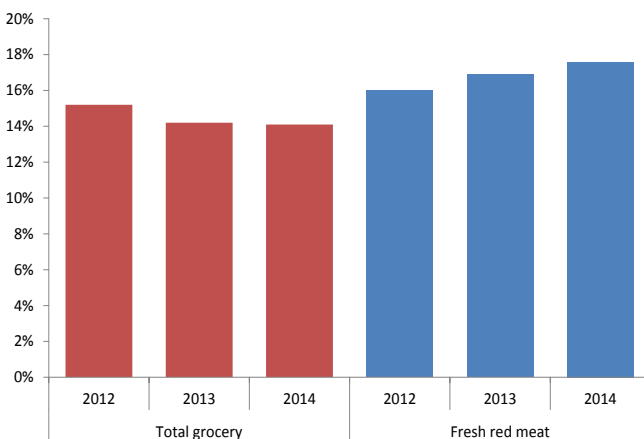
## In Brief

### Have changing promotions altered meat purchases?

Shopper purchases of fresh red meat have declined over the last few years. Consumers remain price sensitive and price rises for meat have played a part in reduced purchases. Against this backdrop, promotions have become increasingly important. Nearly half of fresh pork is now sold on some form of deal, according to Kantar Worldpanel.

A number of recent studies suggest that shoppers are generally moving away from multi-buy deals, defined as 'buy one get one free' or '3 for £10' type deals. Instead, they prefer lower prices. Stores such as Aldi and Lidl tap into these trends, offering few promotions and focusing on "everyday low prices". Many of the major retailers have also altered their pricing strategies – with renewed messages around everyday prices being kept down. As a result, across many grocery categories, promotions have made up a smaller share of sales at the major retailers this year. Within this trend, there has also been a shift away from the multi-buy deals which encourage shoppers to buy more per trip.

### Share of sales on multi-buy promotions



Source: Kantar Worldpanel, 52 weeks ending late May

Fresh pork has followed this trend, with promotions moving toward temporary price reductions. This is particularly true for pork chops, although, perhaps surprisingly, the fall in '3 for £10' style offers has not had any impact on volumes sold. However, promotional trends for fresh red meat have not followed the total market over the last five years. Multi-buy offers now account for 18% of meat sales, compared to 14% of total grocery sales.

In conclusion, promotional mechanics for fresh pork are changing, in line with those in the total grocery market.

Despite concerns that fewer multi-buy offers will reduce sales, there is no evidence to support this at present. However, multi buys are growing for other red meat categories, with retailers viewing them as an important mechanic to attract and retain shoppers.

### German trade weakens in the first quarter

Germany recorded a year-on-year decline of 8% in pork exports between January and March this year. This was partly a result of the Russian import ban but also lower export orders from other EU countries. Asian markets gained some importance in the German export trade. Lower exports meant that the requirement for imports was down and so they fell by 10% on the year. German live pig imports were down 5% year on year in the first quarter of 2014, to 3.4 million head.

### Smaller regional wheat price premiums ahead?

2013 was a particularly low production year for UK wheat, resulting in strong regional differences in feed wheat prices. The highest prices were in the north of England and Scotland as a result of deeper supply deficits in these regions. As a result of forecast increases in production in 2014, a reduced premium should be expected in Scotland and the north of England over East Anglia in the 2014/15 marketing season.

### EU pig meat demand holding up

Demand for meat in the EU has generally slowed since the economic downturn in 2008. However, in comparison to beef and lamb, pork has performed relatively well. Data so far for 2014 provide confirmation of this. For France, data up to 20 April show much higher purchases of fresh pork and charcuterie products. In contrast, in Germany, there was a 1% decline in pork purchases but demand for pork held up better than competing meats at a time when all sales have been slow.

### Further improvement in breeding herd performance

According to latest figures from Agrosoft, the physical performance of GB breeding pigs improved further in the year to March 2014. The average number born alive per litter rose to a record 11.95, nearly half a pig more than a year earlier. This meant the number weaned per sow averaged 23.36, up from 22.60 in the previous 12 months. The top 10% of producers farrowed almost 13.4 pigs per litter and weaned 28.65 per sow.

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

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