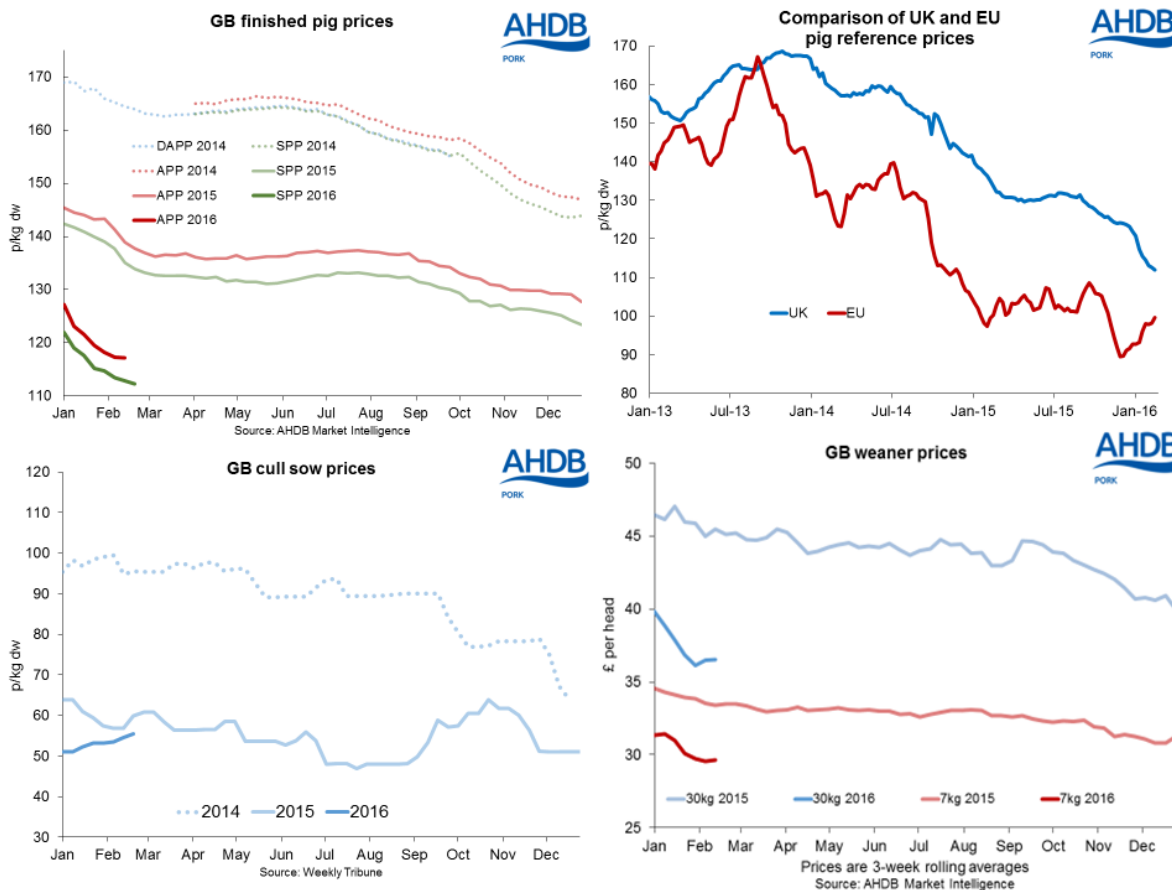


March 2016

UK PRICES

GB pig prices fell sharply during January, with the monthly EU-spec APP more than 7p lower than in December 2015, at 121.59p/kg. This was the biggest month-on-month fall since July 2003. Falling prices are not unusual at this time of year, as consumer demand is subdued following the holiday period. This year, a higher than normal surplus of pigs following the Christmas holidays contributed to the speed of the decline. At the same time, demand for pork and other pig meat products continues to struggle, despite the lower prices. The market remained under pressure into February, with the APP falling to 117.17p/kg for week ended 13 February. This was almost 12p lower than in the last full week before Christmas. The last time the pig price (DAPP) was this low was in April 2008.

The SPP followed a similar trend during January, also losing over 7p month on month, to stand at 117.37p/kg (EU-spec). This meant that the gap between the APP and SPP was virtually unchanged at 4.22p, suggesting both premium and standard pigs were equally affected by the falling market. Nevertheless, there were signs that the price was starting to level off by early February, with the EU-spec SPP falling by only half a penny in week ended 20 February, to 112.32p/kg.



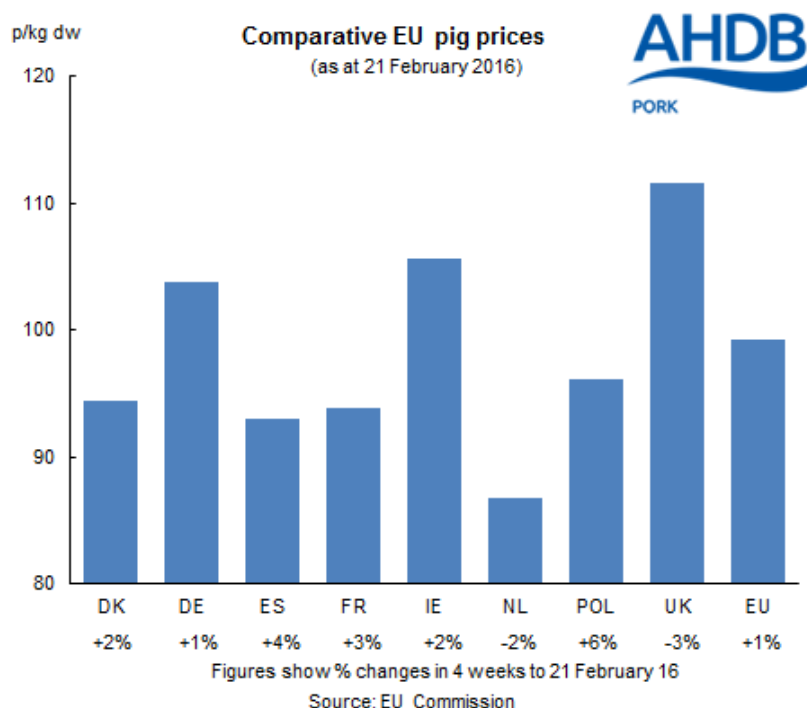
As well as adding to the supply of pigs on the market, the post-Christmas surplus also led to carcass weights reaching record levels. Average weights in the SPP sample were above 84kg in five of the six weeks since the New Year; the previous high was just over 83kg in early 2014. Similar trends were recorded in the APP sample, although at a slightly lower level. The heavier weights will have added further to supply levels and contributed to the downward pressure on prices.

GB weaner prices also followed the declining trend of the finished pig market in January. This was particularly apparent for 30kg store pigs, which lost over £3, to average £37.60 per head during the month. Despite low feed prices, this is the lowest price since mid-2008. The month-on-month fall was smaller for 7kg piglets, which fell by just over 50p to £30.38 per head but from the middle of the month, the average price fell below £30 for the first time since the series began in 2013.

## EU PRICES

The EU average pig price has stabilised following a slight rallying in January to €128.03/100kg for week ending 21 February 2016. With the Private Storage Aid (PSA) initiative suspended on the 27 January 2016 and then subsequently closed, there were concerns whether any positive impact on price would be sustained. Whilst prices have not increased following PSA, they do appear to have stabilised. The majority of member states have now released their pig censuses and most (except Spain) are showing a reduction in the breeding herd, so this rationalisation may also be helping to firm prices.

The euro continues to strengthen against the pound, with the impending Brexit referendum causing volatility in the exchange rate. The euro continued to weaken against the dollar into February, although this movement has started to U-turn since the middle of the month. However, it is still some way lower than the spike experienced in November, allowing EU pork to remain competitive on the global stage.

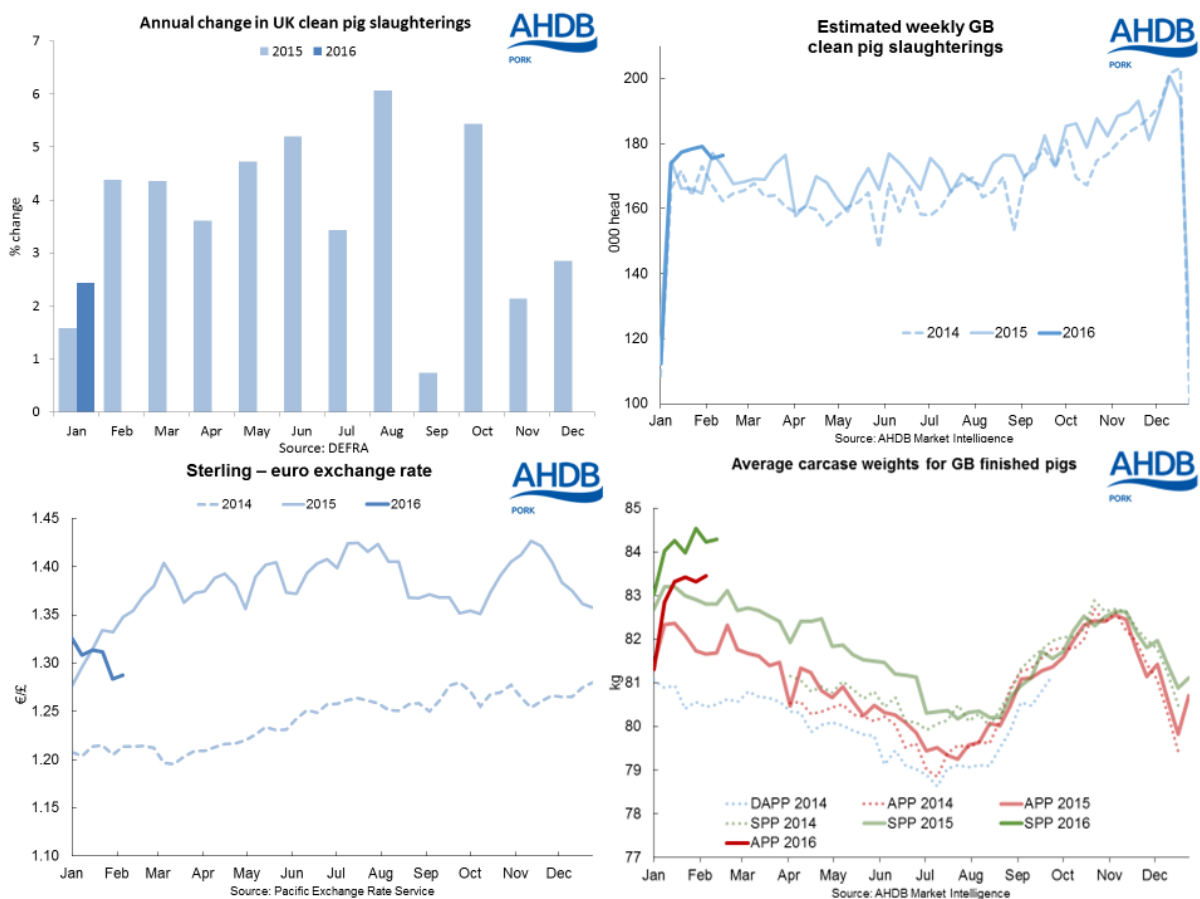


German prices have remained largely stable in February, before falling back slightly to €133.75/100kg in week ending 21 February. Danish prices have stayed firm in the past 4 weeks, whilst Spanish prices saw a slight rallying, increasing by over €3 over the previous 4 weeks to €119.97/100kg. However, Dutch and Belgian prices have lost some ground over the same period, each losing around €4. UK prices have fallen in euro terms with the weakening of the pound, decreasing the gap to the EU average to €16 per 100kg (12p/kg). This illustrates continued downward pressure on the UK price premium, due to the weaker pound and falling UK prices against a backdrop of firming EU pig prices.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

Pig meat production in the UK continued to outpace beef production in January, according to the latest DEFRA figures. Output increased by 4% compared with the same period last year, to 85,700 tonnes. Higher production levels were due to a combination of factors. Clean pig slaughterings in January 2016 increased 2% on the same period last year, to 978,800 head, and the average carcass weight increased over 1% to 83.8kg. Therefore more, heavier pigs were coming forward to slaughter. The UK production figure was slightly subdued due to a fall in clean pig slaughterings in Scotland (-32% to 18,000 head) and Northern Ireland (-2% to 158,000 head) on the same period last year. The fall in Scotland was due to the installation of new pig slaughtering facilities at the leading Scottish abattoir. This may help to increase Scottish slaughter volumes in future months and reduce the number of Scottish pigs being sent into England for slaughter.

During January, average carcass weights were the heaviest on record and there were some reports that these were affecting processing machinery and breaking equipment. The average weight increased 4%, compared with the previous month, and 1% on the same month last year. Sow culling's were also up on the same period last year, by 14% to 25,200 head. This may be an early indication that the downwards price pressure in the pig market is starting to force some producers to begin rationalising their breeding herds, although the figure for January 2015 was lower than normal.



Imports of fresh and frozen pork to the UK slightly decreased in volume in December, by 1% on the previous year. However, over the same time period, value fell by 18% to £47.9 million, illustrating how the value of EU pork has decreased over the last 12 months, putting pressure on UK prices. The latest figures suggest that the UK buyers are sourcing slightly more of their pork from the domestic

market than 12 months ago, as the price of UK pork continues to decrease and become more competitive against the European product. Through 2015, the reverse has been true at times, with UK buyers looking to source cheaper EU product, so this may be an early indication of a shift in this behaviour. During the month, increases seen in import volumes from the Netherlands and Spain were largely negated by a significant fall in German imports.

Sausages once again saw an increase in volumes (+13%), bolstered by increased volumes from Germany, the Netherlands and Spain. Bacon and processed meats saw more modest increases of 2% and 4% respectively, with higher bacon shipments from the Netherlands counteracting reduced volumes from Denmark. German shipments of processed meat supported the increased volumes seen in this category.

Overall UK pork exports saw a very modest increase of 1% in December versus the same period last year (to 15,200 tonnes). For the year in total, there was also a slight growth in export volume, of 2%, despite the exchange rate disadvantage UK exporters faced during the year. Ireland and China both saw shipments increase in 2015, by 11% and 10% respectively, whilst the Dutch and Hong Kong markets saw UK pork purchases fall by 8% and 24% in that order.

Although smaller in scale, offal exports showed strong growth once again, compared with December 2014, with almost 43% of all offal exports being shipped to the growing Chinese market.

## **FEED MARKET**

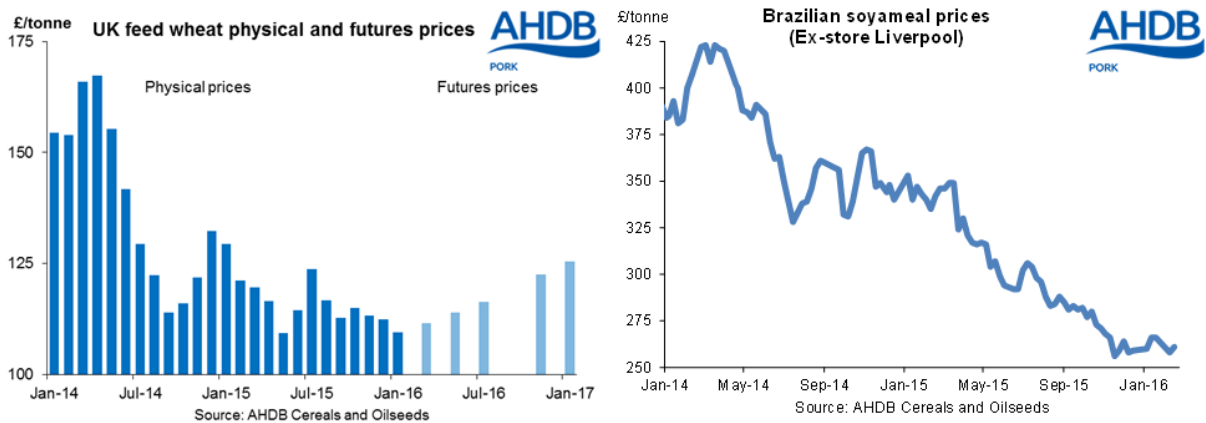
UK feed wheat futures for May-16 contract fell £6.85 (6%) over the month, closing at £106.65/t on Wednesday 17 February. May-16 Paris wheat futures also fell 6% over the same period, to close at €160.75/t on 17 February. Chicago wheat futures prices (May-16) peaked on 26 January at \$180.05/t, the highest price since 18 December. Prices did drop \$5.70/t over the month, though, to close at \$174.35/t on 17 February. However, May-16 Chicago maize futures prices remained very stable for the month, closing at \$146.25/t, a decrease of only 20 cents.

Chicago wheat prices were down largely in response to the latest USDA world supply and demand report. It forecast global wheat closing stocks 7Mt higher than January's estimates due to a reduction in demand forecasts for China and India, adding pressure to an already weighty global stock situation. On the other hand global maize stocks remained broadly unchanged from January's report, despite an upward revision to production. Higher animal feed usage in China, Mexico, India and Turkey outweighed the rise in output.

Latest Defra data show that animal feed production for the first half of the season (Jul-Dec) has increased marginally on last year, to 6.59Mt. Looking at the ingredients used, cereal inclusions to date have decreased by 2% year on year. One of the biggest falls was for maize, where inclusions fell by 8%. However, the use of pulses has increased again, with season to date usage now 150% more than this point last season.

[UK grain exports have started to accelerate](#). In December, the UK exported over 250Kt of wheat, the highest monthly figure since last February. Wheat exports totalled just under 988Kt in July-December, 50Kt more than the previous year. Exports of barley were also higher and 80% (699Kt) of them were to EU countries, considerably more than the first half of last season. The UK imported less maize in December but season to date imports are still up on 2014/15.

The spread between ex farm UK feed wheat and barley prices has decreased by £11.60/t since the start of the season, to stand at £6.10/t in February. The gap between the two in February 2015 was £3.80/t.



May-16 Chicago soyabean futures rose \$0.83 over the month to 17 February, to close at \$325.28/t. May-16 Paris rapeseed futures fell by €3.50 (1%) on the month to €356.75/t. The latest (12 Feb) UK rapemeal price (34%, ex-mill, Erith) was £140/t. This is £12/t less than last month. The Brazilian soyameal price (48%, Ex-store Liverpool) on 12 Feb was £258/t. Soyameal (Hi pro, ex-store East Coast) was £244/t for February delivery. Prices have started to rise again through January and into February.

The USDA forecasts a higher soyabean production for Argentina, increasing the estimate by 1.5Mt from January's report to 58.5Mt, following beneficial rains. Higher domestic crush demand is expected as a result (+0.7Mt). Brazilian production was left unchanged at 100Mt. However, this is still 3.8Mt higher than production levels in 2014/15. US soyabean stocks were also increased by 0.3Mt due to a reduced crush demand. Export sales of soyameal from the US were down year on year and are unlikely to recover due to the increased competition, particularly from Argentina.

China's soyabean imports in January fell 18% from last year, according to General Administration of Customs. They were at 5.66Mt in January, down from 9.12Mt in December. February imports are thought likely to decrease further, to 4Mt, as crushers in China shut down for the New Year.

Heavy rains in Brazil due to El Nino have caused a bottleneck in the number of ships waiting to load soyabeans and maize. The total volume waiting to be exported towards the end of February was estimated at 9.73Mt (approximately 163 ships). This time last year, 4.1Mt was waiting to be loaded.

The EU-28 rapeseed area estimate for harvest 2016 was reduced by 100Kha by Strategie Grains, to 6.35Mha, in light of official area data and winter kill in Germany and Poland. This puts the area now 120Kha below that harvested in 2015 and Strategie Grains project output could fall 3% year on year from the 22Mt harvested in 2015/16.

## CONSUMPTION

The latest Kantar Worldpanel data continues to show the growing consumer convenience trend. The chilled main meal accompaniment market grew over 10% annually in volume (52 weeks ending 31 January 16). Whilst pork meal accompaniments only make up a small proportion of this category (5%), volume growth year-on-year is strong at 47%. The beef, lamb and pork chilled ready meal market grew by 7% in volume and value annually, with spend in these categories at £665 million for the 52 weeks ending 31 January 2016.

Over the 12 week period ending 31 January 2016, overall meat, poultry and bacon volumes grew very modestly by 1%, although with average prices falling, total expenditure was down by 2%. Volume growth was largely driven by increased volumes of lamb and poultry. However, the volume of pork sales continued to fall, with lower prices further driving value out of the market. Loin

roasting joints and marinades were the only two categories to buck this trend. More encouragingly, in the 4 weeks ending 31 January 2016, pork saw an increase in volume sales across several categories, including belly, chops/steaks and leg roasting joints, although the trend of lower average prices meant that this was at the expense of value.

Pork pies recorded an increase in the 12 weeks ending 31 January 2016, as did sausage rolls, in both value and volume terms. However, sausages and sliced cooked meats both saw decreases in volumes and larger decreases in value, continuing the theme of value being driven out of the pig meat market.

#### Trends in retail meat purchases (period ended 31 January 2016)

	4 weeks 2015/14			12 weeks 2015/14			52 weeks 2015/14		
	Q	E	P	Q	E	P	Q	E	P
<b>% change compared with a year earlier</b>									
<b>Fresh and Frozen Meat, Poultry and Bacon</b>	<b>+1</b>	<b>-1</b>	<b>-2</b>	<b>+1</b>	<b>-2</b>	<b>-3</b>	<b>+1</b>	<b>-3</b>	<b>-3</b>
Pork	+1	-6	-6	-4	-8	-4	-5	-10	-5
<i>Belly</i>	+4	-1	-4	-8	-10	-2	-8	-9	-1
<i>Chops/Steaks</i>	+1	-8	-9	-1	-8	-8	-6	-11	-6
<i>Leg Roasting Joint</i>	+15	+14	-1	-19	-20	-2	-9	-19	-10
<i>Loin Roasting joint</i>	-6	-18	-13	+7	-1	-7	-6	-9	-3
<i>Shoulder Roasting joint</i>	-13	-17	-5	-7	-14	-8	-2	-9	-6
<i>Marinades</i>	+46	+57	+7	+29	+48	+15	+14	+16	+2
<i>Ribs</i>	-4	+4	+8	-16	-10	+8	-2	-1	+1
<i>Mince</i>	-8	-9	-1	-6	-14	-9	-5	-11	-7
Bacon	-4	-7	-3	-4	-9	-5	-2	-6	-4
Beef	-3	-2	+1	-3	-3	+0	-1	-1	+0
Lamb	+6	+2	-4	+4	+4	-0	+2	-0	-2
Poultry	+4	+4	+0	+3	+2	-2	+4	-0	-4
<b>Processed products</b>									
Pork Sausages	+2	-2	-4	-4	-6	-3	-2	-4	-2
Fresh Pre-packed Pork Pies	+7	+1	-6	+9	+6	-2	+1	+2	+1
Fresh Pre-packed Sausage Rolls	-3	-4	-1	+6	+2	-3	+5	+0	-5
Pork Sliced Cooked Meats	-1	-5	-4	-2	-6	-4	-1	-5	-4
Pork Chilled Ready Meals	+3	-0	-4	-1	-2	-2	+5	+3	-2

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

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The United Kingdom pig meat situation and outlook is analysed in more detail in "Pig Market Trends", published monthly. For further information, [click here](#).

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