

In this Issue

Competitor meats

The latest AHDB Beef and Lamb forecasts suggest that there will be more beef and sheep meat on the UK market this year. With an expectation that poultry supplies will also be higher, the meat market looks set to remain competitive. This could mean that the recent deflation in the retail meat market continues. Pork will have to compete in this environment. Therefore, even if there are lower supplies, as forecast, retail prices may not be able to rise much. This may have an effect throughout the supply chain, including at the Farmgate. To read more about competitor meats, and the potential effect they could have on the total red meat market, turn to **page 4**.

Focus on Latin America

Latin American countries have been increasing their pork production over recent years, with certain countries now becoming major players in the global market. There are a couple of countries which are major exporters – Brazil and Chile, while most other pork eating nations are net importers. While the net importing countries may currently offer limited opportunities, they may present trade prospects in the future, which could be capitalised on by both the EU and the UK. Analysis of the pig market in these countries and the potential opportunities they could provide can be found on **pages 7 & 8**.

EU Spring Economic Forecast

The EU Spring Economic Forecast was published this month and provides a review of the economic environment alongside projections for this year and next. The EU economy continues to grow modestly, aided by low oil prices and a relatively weak exchange rate. However, the level of investment remains depressed and unemployment high, which will reduce potential output growth. UK growth is predicted to slow in the first quarter, before picking up again in the middle of the year. Read more about the EU Spring Economic Forecast and what it means for both the EU and the UK on **page 10**.

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Key data

	Apr-16	Change since Mar-16	Change since Apr-15
Average GB carcass weight - kg	82.51	-	+1.61
30kg weaner price - £/head	37.44	+0.71	-7.16
7kg weaner price - £/head	28.85	+0.35	-4.31
GB APP (Euro-spec) - p/kg dw	116.83	+0.85	-19.19
GB SPP (Euro-spec) - p/kg dw	113.19	+0.86	-18.88
EU Reference price - €/100kg dw	127.57	+0.28	-16.47
UK Reference price - €/100kg dw	141.67	-1.55	-38.19
UK weekly clean pig kill - 000 head	212.8	+3.7	+18.6
UK weekly pig meat production - 000 tonnes	18.3	+0.2	+1.8
UK pork imports - 000 tonnes*	29.8	+1.1	-1.0
UK bacon imports - 000 tonnes*	19.4	-	-1.7
UK pork exports - 000 tonnes*	19.4	+1.6	+3.5
Retail pig meat sales - 000 tonnes†	52.0	-1.7	-1.7
LIFFE feed wheat futures - £/tonne	105.63	+3.71	-10.89
CBOT Soyameal futures - \$/tonne	297.29	+28.60	-19.96

* Figures relate to March 2016

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 24 April 2016

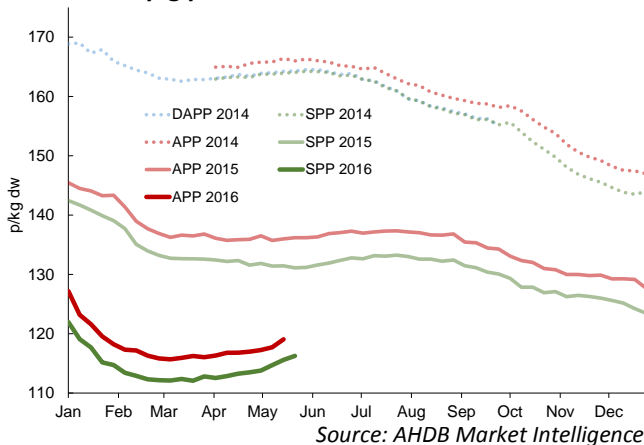
Interested in data? Get more detail about these and other areas from the [AHDB Pork website](#)

We are now on Twitter. For regular updates about the UK pig market and related publications, follow us @HowarthStephen

UK Market Snapshot

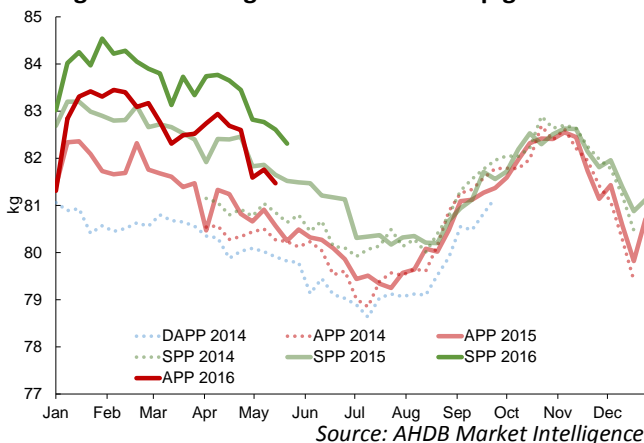
In April, GB pig prices started to firm slightly, with the monthly average EU-spec APP almost a penny ahead of March, at 116.83p/kg. However, this was still over 19p down on the same month last year. April was a month of consecutive price increases, albeit marginal ones, which was evidence that the bottom of the market may well have been reached and was now on the turn. The first two weeks of May have continued this positive trend, despite the bank holiday early in the month. By week ended 14 May, the APP had risen to 119.05p/kg, its highest level since January.

GB finished pig prices



The SPP followed a similar trend to the APP in April, and recorded almost the same price increase over the month, up 0.86p to end at 113.19p/kg. The gap between the APP and SPP narrowed during April, with the SPP growing at a slightly stronger rate than the APP. The gap was less than 3.5p/kg by the end of April and reduced further into early May. The latest SPP, for week ended 21 May, stood at 116.27p/kg.

Average carcass weights for GB finished pigs



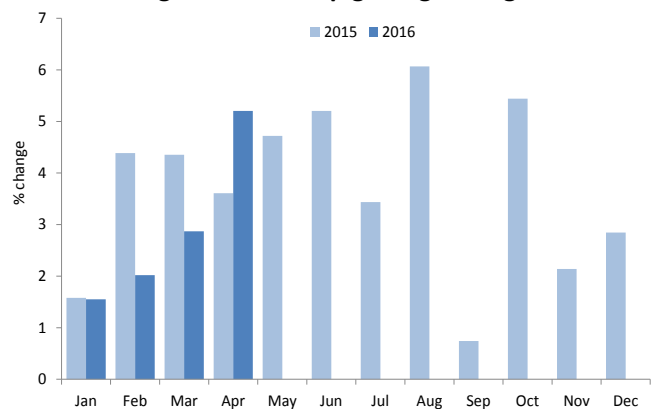
In April, the average carcass weight remained largely stable on the month before, with the APP sample averaging 82.51kg for the month – the same level as March. Increases in average carcass weights early in April helped to offset the declines recorded later in the month. This stabilisation in weights suggested that supply levels had balanced out somewhat, with producers not needing to roll their pigs over to later

weeks. However, weights are still 1½ kilos more than this time a year earlier.

The GB weaner market recorded a few fluctuations during April, but broadly followed the modest increasing trend of the finished market. 30kg weaners responded more positively during the month, recording a price increase of 71p month on month to average £37.44. 7kg weaners also recorded a modest increase on the previous month, up 35p to £28.85.

UK pig meat production remained strong in April at 76,800 tonnes, according to the latest DEFRA figures. Allowing for a change in reporting periods, the latest figure is around 6% higher than April 2015. A combination of factors contributed, including Easter falling in March this year. Slaughtering of clean pigs were up 5% to 893,800 head, although this increase is slightly higher than indicated by other sources, so may be subject to revision. Coupled with this, the average carcass weight was around 700g heavier than April 2015, at 82.3kg. However, this was 600g lighter than in March.

Annual change in UK clean pig slaughterings



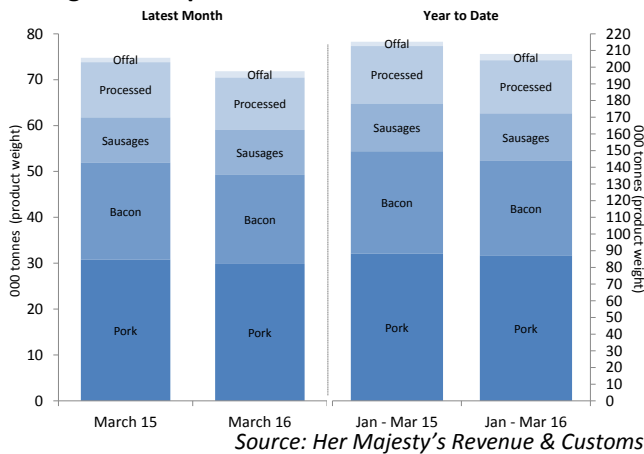
In April, sow slaughterings remained inflated, with 22,400 slaughtered throughout the month. This was 12% above the adjusted figure for a year earlier. This continues the trend recorded this year so far, and supports the expectation that some contraction of the breeding herd may be continuing.

Imports of fresh/frozen pork decreased slightly in April when compared with a year earlier, by 3%. This was largely driven by a decrease of shipments from Germany (-22%), while imports from Denmark did record a 10% increase. The weakening pound has helped to dampen import volumes. Unit prices remain low, however, with the value of imports down by 13% at £45.9 million.

Imports of other pig meat products were also down. Bacon shipments were 8% lower than a year before, with less Danish and German product but more from the Netherlands. Sausage imports were down 1% year on year, while the amount of other processed products entering the UK market rose slightly.

UK Market Snapshot

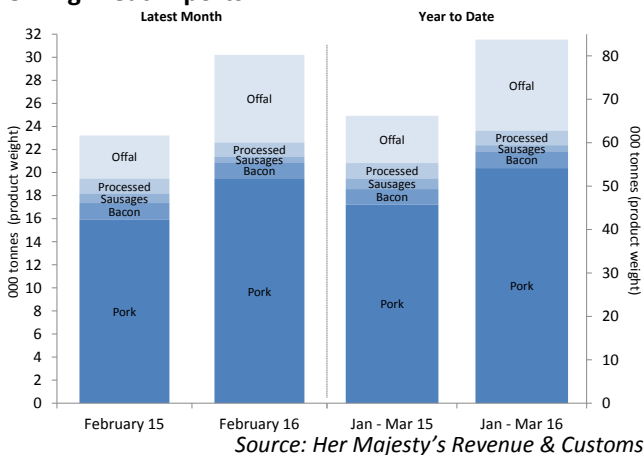
UK Pig Meat Imports



UK exports of fresh/frozen pork continued to increase in March, to 19.4 thousand tonnes. This was a 22% increase on the same period a year earlier and compounded the strong start exports have recorded this year. Shipments to China were the predominant cause of this growth, up 72% on a year earlier. Increased sow slaughterings contributed towards growth in shipments to Germany (+15%). Although much smaller in absolute volumes, exports to the United States more than doubled and Philippine shipments were four times greater than the same period a year earlier.

The value of pork exports also grew in March, to over £21 million, which was a 37% increase on a year earlier. This was assisted by the high pig price in China, as well as increased volumes of pork exported to high value markets.

UK Pig Meat Exports



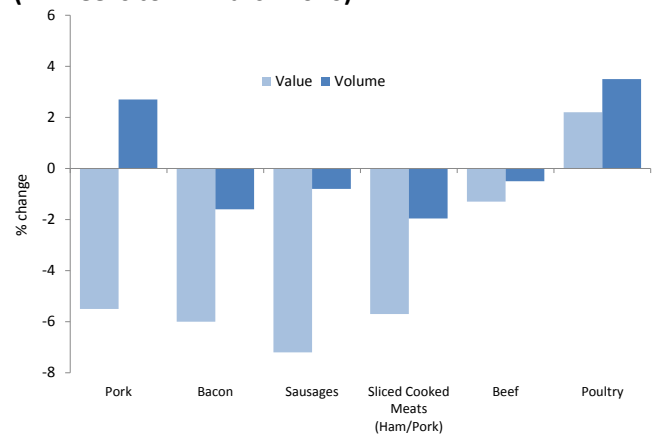
Offal exports more than doubled in March, with large increases recorded in shipments to Asian markets. Chinese exports rose to 3,300 tonnes, while shipments to Hong Kong nearly trebled and levels to the Philippines and South Korea experienced a four-fold increase, albeit from a smaller base. There were also higher exports to some EU countries but these are likely for onward movement to the Asian market. Sausage and processed exports fell during March from 2015 levels, although volumes were relatively small.

In the four weeks to 27 March, volume sales of fresh/

frozen pork continued to rise, and were up 5% on the year earlier, according to data from Kantar Worldpanel. This increase also translated into the longer-term view, with the volume of pork sold in the 12 weeks ending 27 March up almost 3% on the same period last year. This increase in sales may have been contributed to by the AHDB Pulled Pork campaign, which hit the ground during this period. In addition, with Easter falling early this year, this may have had a positive impact on volume sales.

Pork loin roasting joints recorded a strong increase in volume sales in the four weeks to 27 March, up over 20% on a year earlier. Leg roasting joints and shoulder roasting joints also performed well, with increases in volume sales of 17% and 16% respectively. While the full analysis of the AHDB Pulled Pork campaign is still being undertaken, this may be an early inference that it had a positive effect on volume sales of shoulder roasting joints. Other joints may have enjoyed a halo effect from the campaign.

Annual percentage change in retail meat purchases (12 weeks to 27 March 2016)



Bacon recorded a modest increase in sales of 2% in the latest four weeks, which may start to stem the decline in sales recorded over the full 12-week period to 27 March, of 2%. The same pattern of declining sales is true for sausages, which recorded a modest decline of 1% over both the four-week and 12-week periods to 27 March, although sharp price falls meant that spending on sausages was down by 7% over the longer period. Sliced cooked meats continued to recorded volume decreases over both the four and twelve-week periods to 27 March. Prices paid for most pork products were still cheaper than a year earlier, highlighting that the deflationary pressure on price experienced in the pork market continues.

Although it increased slightly in April, producers' share of the retail pork price remains historically low, at 31%. This is one percentage point higher than in February and March, but these were the lowest figures for over a decade and the April levels are still four percentage points less than in April 2015.

UK Market Analysis

Rising supplies of other meats provide competition for pork

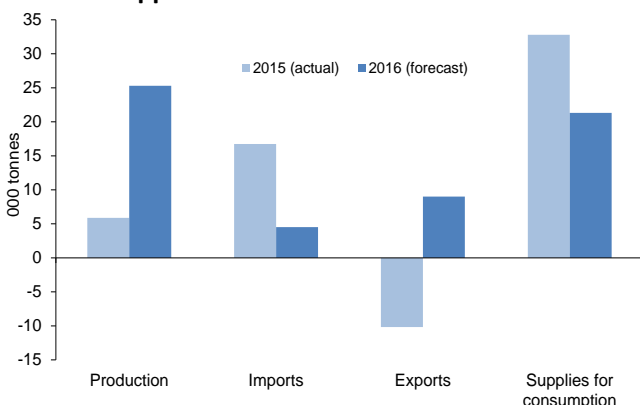
Latest [AHDB Beef & Lamb forecasts](#) suggest there will be more beef and sheep meat on the UK market this year. With an expectation that poultry supplies will also be higher, the meat market looks set to remain competitive. This could mean that the recent deflation in the retail meat market continues. Even if, as indicated in AHDB Pork [forecasts published last month](#), there is less pig meat on the market, this competition could hold prices down to some extent.

Since the autumn, prime cattle prices have been on a downward trajectory. There is also little expectation of an upturn in raw milk prices before the end of the year. Therefore, significantly more cows are expected to be slaughtered over the course of the year, as producers struggle with cash flow problems.

Prime cattle supplies are also forecast to be higher, as a result of higher calf registrations over the past couple of years. However, the higher numbers are set to be mitigated by lower carcass weights, as processors tighten their specifications, penalising heavier cattle. Nevertheless, beef and veal production is forecast to be 3% higher this year than in 2015.

The weakening of the pound against the euro since last year means there may be better prospects for exports, although they only account for around 15% of production. Imports, though, are expected to be similar to last year as Irish production is forecast to rise. Therefore, available supplies on the UK market will again be higher this year, meaning the market is likely to remain challenging for producers.

Actual and forecast year-on-year change in UK beef and veal supplies



Source: Defra, HMRC, AHDB Market Intelligence

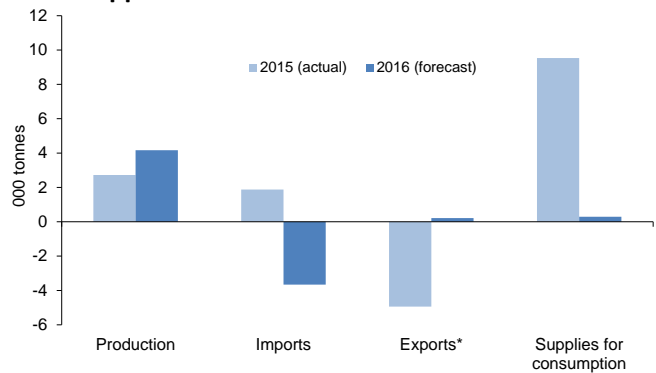
The latest forecasts for sheep meat production predict that output in the first three quarters of 2016 will actually be lower than the corresponding periods in 2015. This is partly due to a lower carryover of lambs from the previous season. In addition, more lambs will be required as replacements in the breeding flock and slaughterings will also be influenced by an expected return to a more normal seasonal marketing pattern,

although this is weather dependent.

Adult sheep slaughterings are forecast to increase, though, as the low levels seen in the past two years have led to an ageing breeding flock. This higher level of mutton output is expected to mean overall sheep meat production rises.

International trade in sheep meat will be heavily influenced by currency fluctuations, which could be affected by the EU referendum in June. At present, with a weaker pound this year and lower production in New Zealand, an improved balance of trade is expected. Overall, supplies are expected to remain high as slightly increased exports and lower imports are not enough to fully offset the rise in production.

Actual and forecast year-on-year change in UK sheep meat supplies



* 2015 export figure adjusted to allow for likely under-recording in official figures Source: Defra, HMRC, AHDB Market Intelligence

AHDB does not cover the poultry industry, so no production forecasts are produced. However, poultry meat statistics published by Defra show that broiler chick placings in the first quarter were up 2% on the same period in 2015. Furthermore, the number of broiler chickens slaughtered in the three months was also up 2% on the year.

There have been mixed messages from the poultry sector about the outlook. Some leading companies are reportedly expecting production to increase this year but independent producers are having a tougher time, as wholesale chicken prices have decreased. This has become more evident, with some having left sheds empty. Therefore, a modest increase in chicken production seems the most likely scenario.

Over the last year, retail meat prices have been falling. According to Kantar Worldpanel, in the 52 weeks ended 27 March, the average price paid for fresh/frozen meat (including bacon) was over 3% lower than a year before. Given the increased supplies of beef, lamb and chicken expected to be available this year, prices may well remain under pressure.

Pork will have to compete in this environment. Therefore, even if, as forecast, there is less available to the market as the year progresses, retail prices may not be able to rise much. This could hold prices down throughout the supply chain, including at the farmgate.

UK Market Analysis

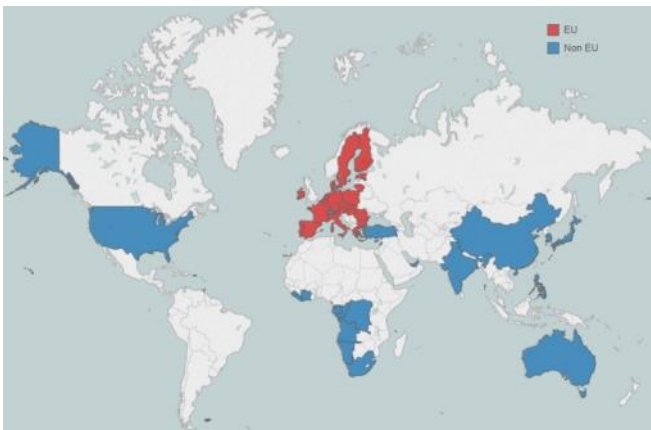
New publications full of valuable data

Two new publications from AHDB Pork, both out this month, provide a valuable source of information about the pig industry. The [Pig & Poultry Pocketbook](#) also allows comparisons with one of the sector's major competitors, while the [AHDB Pork Yearbook](#) includes lots of performance data which will be of use to producers.

The 2016 Pig and Poultry Pocketbook, the fourth edition of this popular publication, was launched at the recent Pig and Poultry Fair. As in previous years, the Pocketbook, which is genuinely small enough to fit in most pockets, pulls together the key facts and figures about the pig and poultry industries in one place. The aim of the publication is to provide quick reference statistics on the two industries, with particular focus on a review of 2015.

The Pocketbook covers the whole supply chain, from farm to fork, including statistics on the structure of the industry, prices, production levels, carcase classification and retail sales and consumption. One section which has been enhanced this year looks at imports and exports. Among the new information is a map showing all the countries which the UK exported pork to last year. Other than EU Member States, there are over 30 countries involved, ranging from China, which took over 27,000 tonnes of UK pork, to several Caribbean countries taking less than 10 tonnes each.

Map of UK fresh/frozen pork exports by destination



Source: HMRC, GTIS

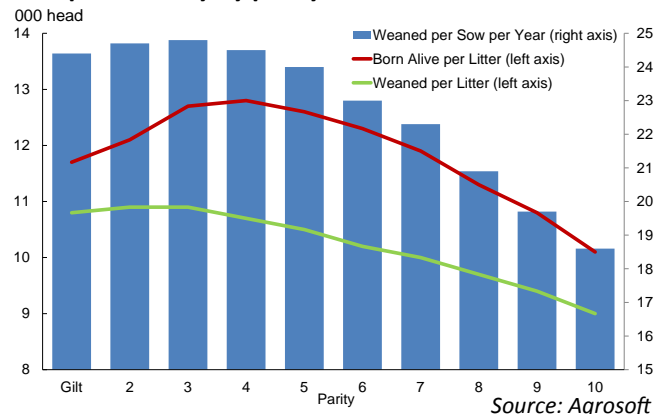
Despite the exchange rate disadvantage, the UK still exported more pig meat last year. At 284,400 tonnes, shipments were at their highest level since 1998, when the UK sow herd was roughly twice the size and pig meat production was almost 30% higher. Despite this, the strong pound and competitive global market meant that the value of exports fell to £321 million. This was the first year-on-year fall since 2009 but is likely to be only a blip as the value of exports in the first quarter of 2016 was up 22% on a year earlier. If that growth rate is sustained throughout the year, 2016 exports could be worth close to £400 million.

The Pocketbook also shows how the strong pound affected the poultry sector. Export volumes were the lowest since 2012, with outbreaks of Avian Flu also having an impact, but lower prices meant that the value of exports reached an eight-year low. At the same time, imports increased during the year, meaning more poultry meat was available on the UK market. The led to falling retail prices during the course of the year. Unlike pork, this translated into higher purchases, helping to keep wholesale prices relatively stable.

As well as providing information about AHDB Pork's knowledge transfer, research and development activity, the new AHDB Pork Yearbook contains lots of data which will be of use to producers. This includes a summary of many of the key industry statistics for the last year and international comparisons of production costs. There is also a section looking at how changes in key performance indicators can affect overall production costs. For example, it shows that moving finishing feed conversion from the average ratio of 2.69 to the top third figure (2.42) would cut production costs by nearly 5p/kg. That alone would represent a saving of over £40,000 for a herd producing 10,000 finished pigs per year.

The Yearbook also includes a wide range of technical performance data for breeding (split between indoor and outdoor), rearing and finishing herds, provided by Agrosoft. This includes comparisons between average and high performing herds and time series showing developments over the last ten years. Among the tables are some showing the performance of sows by parity. This confirms that productivity peaks at around the 3rd or 4th parity and falls away rapidly after parity 5. Around 85% of sows were at parity 5 or below, with only around 1% beyond parity 8.

Sow productivity by parity, 2015



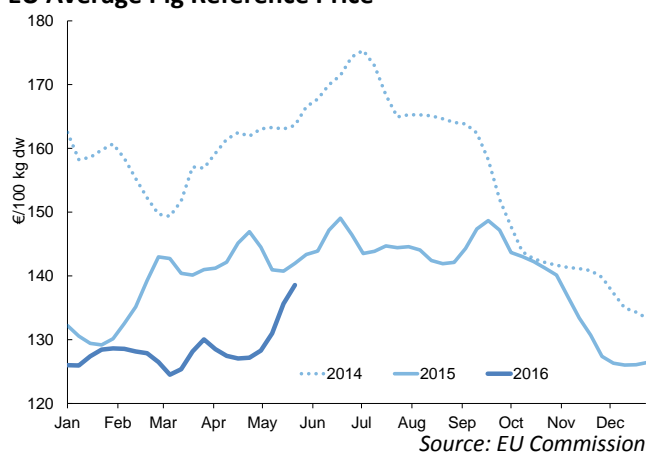
Source: Agrosoft

Information like this can help producers to improve their returns, vital in tough times like those at the moment. Understanding the current state of the industry (and its competitors) can also help producers to make the best possible business decisions. Publications like these can, therefore, make an important contribution to supporting the industry through this challenging period.

EU Market Snapshot

The EU pig market has shown some signs of positivity during April and May, recording the most significant upswing in prices in over a year. In the four weeks to 22 May, the EU average price increased by €11 to stand at €138.57 per 100kg. This was its highest level since the end of October and meant the price was closing on its level a year before. The last time the EU price showed any year-on-year increase was in June 2014. If recent trends are sustained, this landmark could be reached in the coming weeks. The improvement in the market is reported to be due to stronger consumer demand as the weather improved in northern Europe, together with the start of the holiday season further south.

EU Average Pig Reference Price



The pattern of increasing prices was apparent across all the major producing Member States. The key German price was up €14 per 100kg over the latest four weeks, the Spanish quote rose by €12 and there were similar rises in most other countries. France and Denmark were somewhat less affected by the upward momentum but even here prices were higher than four weeks before by €7 and €5 per 100kg respectively.

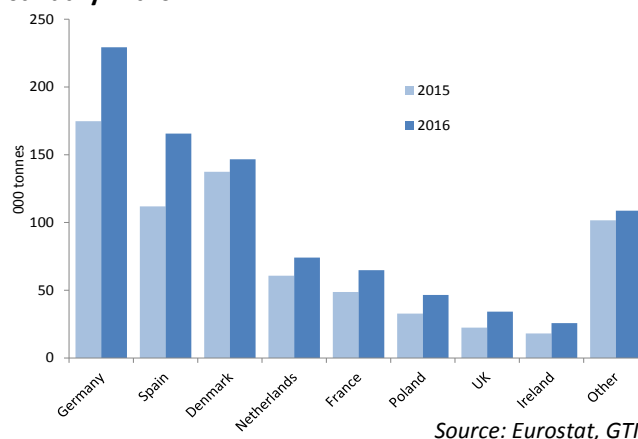
The EU price has been rising more rapidly than the UK market. This meant that the UK price premium, based on the respective reference prices, dropped to around 7p/kg in week ended 15 May, its lowest level since September 2013. Some strengthening of the pound in the following week meant the gap opened up slightly to 8p/kg.

EU exports of all pig meat products were up by more than a quarter in the first three months of 2016, compared with a year earlier. All the main categories of export were higher, on the back of strong demand from Asian markets, in particular. Fresh/frozen pork exports to China more than doubled, while sales to Hong Kong and the Philippines were both up by a third. Offal sales to the Asian markets were similarly strong. In addition, China bought substantially more pig fat this year which, along with growth to the Philippines, provided some relief to a part of the market which has been struggling since the Russian ban.

All of the EU's significant exporters experienced year-on-year growth in third country exports during the first

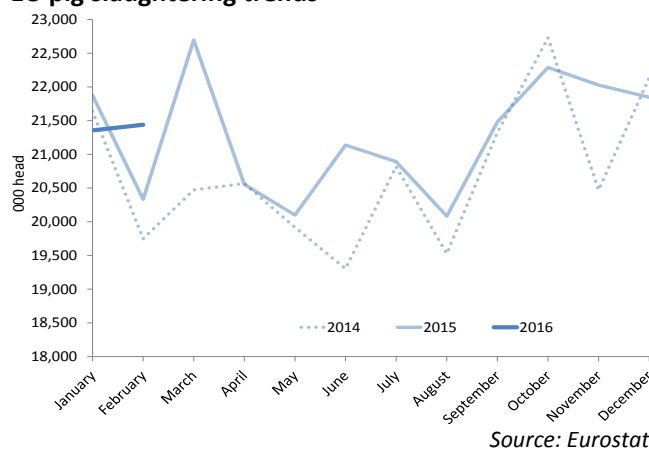
quarter of 2016. Spain led the way with shipments up by nearly half, while Germany saw a 31% rise and Denmark's sales were up 7%. It was a similar story for the EU's mid-ranking exporters, including the UK, which saw third country volumes rise by more than half, the fastest growth of any Member State.

Total pig meat exports to non-EU countries January-March



Provisional figures from the EU Commission show that EU pig meat production increased year-on-year in February – up 6% to 1.95 million tonnes. There was one extra working day this year, due to the leap year, so if working day production was compared like for like, this is equivalent to a rise of just 1%. This represents a slowdown in growth compared with much of 2015, which supports forecasts that supplies will begin to tighten throughout the year. Similarly, slaughterings were up 5% in February on a year earlier, to 21.4 million head but this effectively was only a marginal increase.

EU pig slaughtering trends



There were variations in the output from Member States in February, when compared with a year earlier. Spain led the march, with production volumes up 14% on a year earlier. Germany and France also recorded increases in production, both at 6%. However, Denmark and the Netherlands both recorded falls in production (-6% and -10% respectively). This fall was despite the longer working month, so may actually represent a greater fall than recorded, although reporting periods are thought to have changed, for Denmark at least.

Global Market Analysis

Focus on Latin America

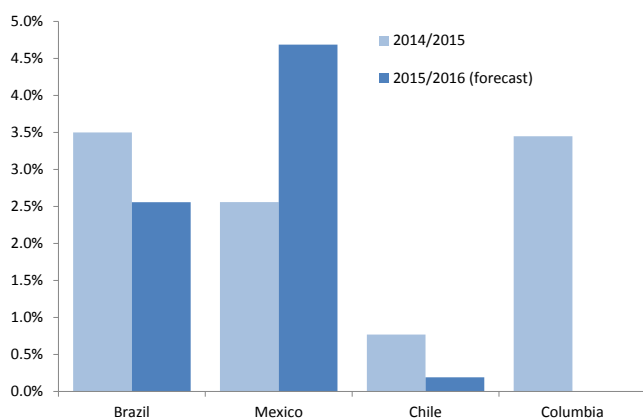
Latin American countries have been increasing their pork production over recent years, with certain countries now becoming major players in the global market. There are a couple of countries which are major exporters – Brazil and Chile. While the net importing countries in the region may currently offer limited trade, there are potential opportunities for the future and it would be prudent to explore them further.

Brazil was the fourth largest global pork producer in 2015, after China, the EU and the United States. Production is forecast to increase once more in 2016, by 3%, to support higher pork exports and increasing domestic demand. Brazilian corn prices have increased over 60% in the last year due to the weakening currency and booming exports. The Brazilian government have responded to this by selling corn from government stocks at subsidised prices.

Brazilian pork consumption has continued to increase as the current economic climate has made consumers more price conscious. Pork prices remain firm and more competitive than beef. There has also been an extensive marketing campaign to improve the consumption of fresh pork

In 2015, Brazil exported 473,000 tonnes of fresh/frozen pork. This is forecast to increase again in 2016, supported by both the devaluation of the Brazilian currency and firm exports to Russia and China. The number of plants accredited to export to these countries has increased. Furthermore, Brazilian pork is expected to become more competitive in established markets such as Angola, Japan, Mexico and Singapore. South Korea has also opened its markets up to Brazilian pork after years of negotiation, so this will further support exports.

Year-on-year change in pig meat production in selected countries



Source: US Department of Agriculture

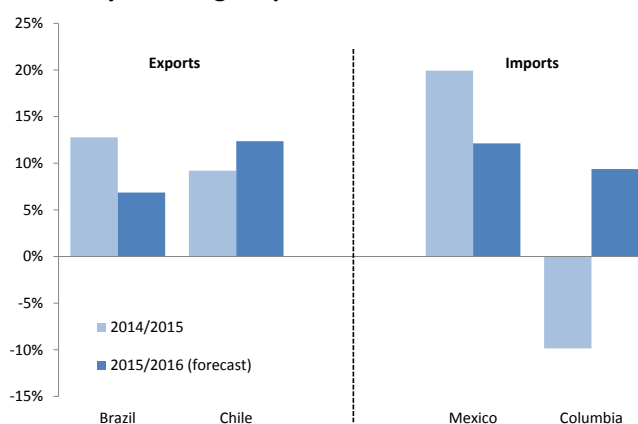
The Mercosur trade deal, which is currently in negotiation, may eventually provide limited access to the EU market for Brazilian pork. However, the quantities involved would still be relatively small compared with overall EU supply levels.

Mexico has also recorded increases in pork production over recent years and is forecast to grow by a further 5% in 2016. This growth will be driven by several factors, including continued recovery from PEDv, better genetics and an enlargement of the breeding herd. Improved genetics, combined with lower feed prices, are forecast to continue lowering production costs. Per capita consumption has grown to almost 19kg/head and has increased due to price competitiveness of pork over beef. Consumers continue to gain confidence in pork as a reliable, healthy protein source.

Mexico is a major importer of pork and is almost completely served by the United States, although Canada did increase its slice of the market in 2015. However, the Mexican market has recently been opened up for fresh pig meat from Spain, which may pave the way for exports from other EU Member States. Traditionally, the Mexican market imports cuts that are popular in the UK, particularly legs, so the UK may not be well placed to export to Mexico. However, the fact that other EU member states will, may reduce the supply of these cuts in the EU and hence support the price in the UK.

While Mexico is a net importer of pork, its exports have been increasing over recent years and shipments are forecast at a record 150,000 tonnes for 2016. Mexico recently received recognition from Japan as free of Classical Swine Fever, and is now able to export pork from all states. Japan is the largest market for Mexican pork, accepting over 80% of all Mexican pork shipments. The Trans-Pacific Partnership (TPP) agreement, of which both countries are members, will provide an opportunity for Mexico to increase its shipment levels. In addition to this, Mexico continues to pursue exports to other Asian countries, in particular South Korea.

Year-on-year change in pork trade in selected countries



Source: US Department of Agriculture

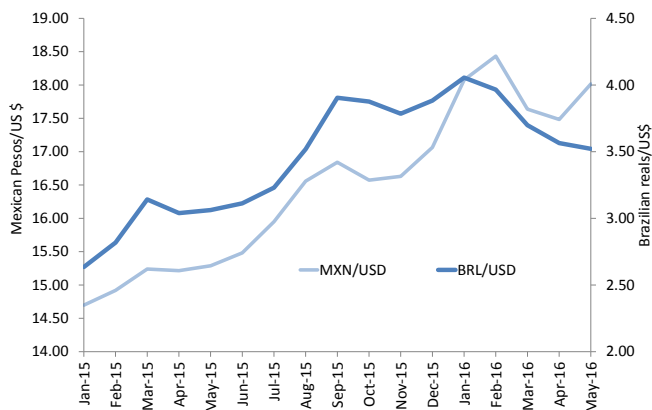
Both the Brazilian real and the Mexican peso have weakened against the US dollar over the past year. This has had a significant effect on the global pork market. The depreciation of the real has been exacerbated by the current Brazilian economic recession. This has led to higher export volumes, as Brazilian pork has become

Global Market Analysis

extremely competitive on the global stage. However, this price drop has compounded the global depreciation of pork. Forecasts for 2016 show the Brazilian economy remaining in recession, and therefore downwards pressure will remain on the real.

Exchange rate movements

Brazilian real and Mexican peso



Source: Pacific Exchange Rate Service

The weakening peso in Mexico should, in theory, help reduce import levels as domestic product becomes more competitive. However, Mexican production is unable to keep pace with demand, so this deficit needs to be filled by imports. Coupled with this, low US pork prices will mitigate the inflationary effects of the strong dollar and shipment levels are forecast to continue to rise.

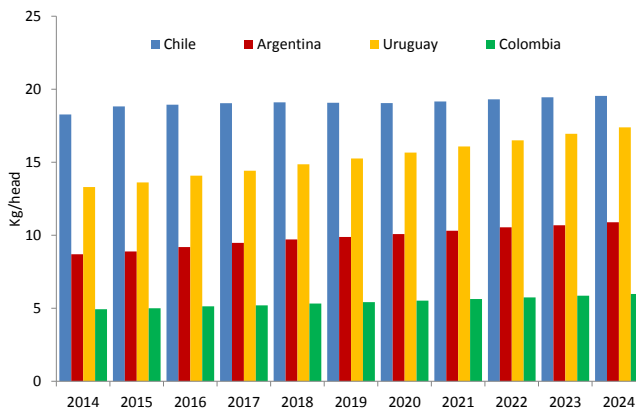
Chile's pork production has increased significantly over the past 10 years, although it is still some way behind other protein sources. However, production growth has slowed in the past couple of years as the industry has faced some challenges. Price increases have been recorded in the imported raw ingredients of animal feed. In addition, since 2013, the Chilean herd has suffered PRRS, and currently no vaccines are allowed in Chile.

OECD-FAO projections forecast a modest increase in per capita pork consumption in Chile, which may provide an import opportunity, especially if production growth continues to stagnate. Nevertheless, the Chilean pork industry achieved strong growth in export volumes in 2015, up 10% on a year earlier, with large volumes of pork being exported to Japan, South Korea, China and Russia.

There has also been a strong growth in Argentinian pork production, although volumes remain well behind those of beef. The majority of this growth has been consumed domestically, with limited offal exports. Exports are restricted due to the use of the FMD vaccine. The industry has almost doubled in size over the past few years, driven by domestic demand. Booming inflation is pushing consumers towards cheaper protein sources, such as pork and poultry, and away from beef. In addition, the government is also promoting pork consumption in an attempt to free up beef supplies for the more lucrative export market. Per capita

consumption is forecast to increase over the next eight years and may provide an opportunity for exporters, if domestic production fails to keep pace.

Projected per capita pork consumption in selected South American countries



Source: OECD-FAO Agricultural Outlook

Colombia has recently come onto the radar as a potential market for EU pork exports. Its pig industry has grown rapidly to over 4.6 million pigs in 2015, although more than a third are housed in backyard systems. In 2015, the pig industry in Colombia was in crisis. Exchange rate volatility put pressure on the market, causing the cost of production to rise.

These challenges may cause a slowdown of domestic pork production, which could potentially be filled by imported product if the demand was there. Import levels are relatively low (53,000 tonnes in 2014), and the market is largely served by the United States and Canada. Domestic consumption is low, but it is growing in popularity as consumers' confidence in pork increases and is forecast to rise.

While Uruguay could potentially be a strong pork producer, there is little government stimulus to grow the industry. There has historically been low domestic consumption of pork but it is forecast to increase relatively strongly over the next 8 years. Much of the pork is imported from Brazil, so if demand continues to be stimulated, there would be a need to be filled which cannot currently be serviced domestically.

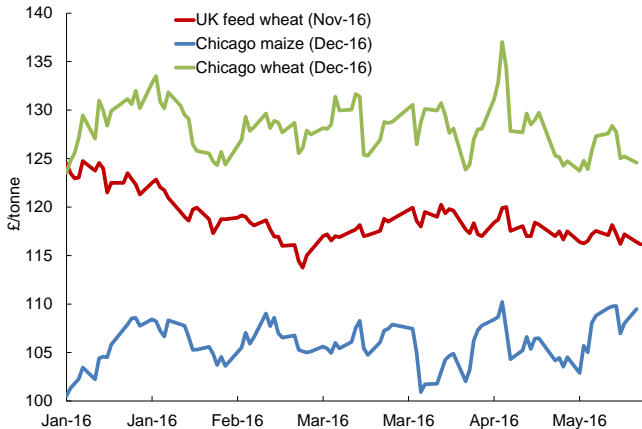
There are potentially further opportunities in other, smaller Latin American countries. Most are currently supplied primarily by the US but EU exporters may be able to fill gaps if increased demand is stimulated. However, many of these markets are limited and are unlikely to require significantly increased volumes in the near future.

It is clear that Latin America is a region with potential to become more important in the global pork market. Brazil and Chile are competitors for the EU in lucrative Far East markets, aided by currency devaluation. Mexico represents both an opportunity and a potential competitor, while other countries in the region could also provide export opportunities in the years ahead.

Feed Market

Over the month to 24 May, UK feed wheat futures (Nov-16) fell just under £2/t, with a slight rally occurring in the middle of May. Similarly, Chicago wheat futures fell over the month by around \$4/t. Rallies again occurred around the 17 May. However, Chicago maize futures (Dec-16) rose by nearly \$6/t over the month, with the main rise occurring in the last week of the 4-week period.

New crop futures prices for feed grains



Source: AHDB Cereals & Oilseeds

In terms of exchange rates, sterling recorded its largest daily gain against the euro since February on 19 May and its largest weekly rise since July 2015. Sterling also rose against the US dollar, although less so, reaching levels comparable to the beginning of the month. This strength weighed on both grain and oilseed prices in the UK.

Combined UK wheat and barley exports in March were at their highest monthly level since September 2000 at 684Kt, partially aided by currency movements. UK barley exports were especially strong at over 300Kt for the first time since December 1998. For wheat, it was the strongest month since November 2011, with 383Kt shipped.

Discount of UK ex-farm feed barley to feed wheat prices



Source: AHDB Cereals & Oilseeds

The strong UK barley campaign has supported domestic prices. Since the beginning of March, the discount of UK feed barley ex-farm prices to feed wheat has dropped to below £5/t. Anecdotally, when barley's discount closes on this level, barley inclusions will be kept at a minimum, due to its lower nutritional value compared

with wheat. With the gap below this point, we could see an increase in inclusion of wheat in animal feed this season. However, this could change next season due to reduced demand from China for French barley.

The forecast use of maize in animal feed production is now expected to be 18Kt higher than February's [Supply and Demand estimates](#), at 1.109Mt. This is mainly driven by a rise in usage from the ruminant sector in GB and Northern Ireland, as well as an expected increase in the amount fed on farm. However, this latest forecast is 3% lower than 2014/15.

On a wider EU basis, Strategie Grains increased its forecast for 2016/17 common wheat production by 1.9Mt, compared to a month ago, to 146.7Mt. Favourable weather conditions have boosted yield potential in Germany, Romania & Spain. However, this was offset somewhat by a reduced carry-over, due to an increase of just under 1Mt to 2015/16 exports.

Weather events have been the main talking point for soyabeans this month. Flooding in Argentina has caused approximately 5Mt of damage to the soyabean crop. The high world demand and reduced supplies from South America could boost US soyabean exports.

Soyameal prices have increased since the beginning of April, in response to the South American crop losses and lower export supplies of soyabeans and soyameal. Between 8 April and 24 May, Dec-16 Chicago soyameal futures rose by 28% to just under \$400/t. Oil World is estimating that between April and September, world exports of soyameal will reduce to 35.5Mt, compared to 35.71Mt in the same period in 2015. With higher prices making soyameal expensive to use in feed rations, there could be opportunities for exporters and producers of different oilmeals and feed grains to fill the gap.

Chicago soyameal futures (Dec-16)



Source: AHDB Cereals & Oilseeds

Rapeseed meal prices have been lower than some other oilmeals in the European market in recent weeks. This was influenced by the start of new crop supplies. It has also been reported that consumer demand for rapemeal is weak, as EU prices were 58% of the value of soya meal on 19 May (down from 66% a month earlier), according to Oil World.

In Brief

EU Spring Economic Forecast

The EU Commission's Spring Economic Forecast has been published this month. In the EU, the economy continues to expand modestly. Low oil prices have given the economy a boost, raising real incomes and resulting in stronger private consumption. The relatively low exchange rate of the euro has also helped to drive growth, by making EU export prices more favourable. Slow core inflation which reflects the output gap is still present. GDP has risen above pre-2008 levels, but it took longer than many other advanced economies to do so. The level of investment remains depressed and unemployment far too high. These factors have reduced potential output growth and will continue to do so. Political uncertainty within the EU further limits growth via delayed investment decisions.

In the UK, the quarterly growth is predicted to slow in Q1 2016, although picking up in the middle of the year, reflecting the solid underlying momentum in the economy. The output gap is forecast to be modestly positive. Growth in private consumption is expected to remain robust and exceed that of GDP. Renewed momentum in real household disposable income this year and next should support consumption. However, a desire by households to rebuild savings, or a lower than expected increase in employee compensation, could curb consumption growth below projections.

Inflation in the UK is forecast to rise to 0.8% in 2016 and 1.6% in 2017. Nevertheless, it is still expected to remain below the Bank of England's target of 2%. The waning of the impact of previous falls in energy prices should bolster inflation over the next two years. However, in other sectors, prices remain low. Further falls in world energy prices pose a downside risk to inflation, although this depends largely to what extent they are passed through into reductions in retail fuel and energy prices.

To read the EU Spring Forecast paper, [click here](#)

Pork a winner at Easter

This year, total red meat sales in the four weeks running up to Easter were worth £310m – down 4% year-on-year, according to analysis by Kantar Worldpanel. The proteins that performed well over the Easter period were fish, pork and chicken, while beef sales were similar to last year. In contrast, 12% less lamb was sold

than in the four weeks before Easter last year. Promotional sales were down for most proteins but more pork was sold on promotion. The wider trend to move away from volume-driving Y for £X deals towards Temporary Price Reductions (TPR) deals and everyday low prices continues.

US exports increase in the first quarter

US exports of pork increased in the first quarter of 2016, up 5% to 372,000 tonnes. This was largely driven by a significant increase in the volume of pork shipped to China. At the end of 2015, China relisted 16 plants from the US that participate in the ractopamine-free programme, so they are now eligible to export to China. Once again, Mexico was the largest importer of US pork, although volumes were down by 9% in Q1 2016. The strong dollar may have assisted in dampening down shipment levels.

Canadian export performance boosted by China

Canadian trade with China has shown strong growth in the first quarter of 2016 and, similar to the US, more than quadrupled to become its second largest market, with a 22% share. Total Canadian exports were up by 12% as it cut back on shipments to other markets, especially in Asia. Trade with the US was down marginally. The average price of Canadian exports was unchanged compared with January-March 2015 and so the value of exports also increased by 12%, to C\$781 million. This was in spite of a 16% rise in price on its trade with the United States but offset by the much lower average price and increased importance of the Chinese market. The ongoing weakening of the Canadian dollar contributed to the good export situation as in US dollars the average export price was as much as 9% lower.

2016 Pork Yearbook – a wealth of information

The 2016 [AHDB Pork Yearbook](#), published this month, contains a wealth of information including details of the AHDB Pork Board's 5-point plan to help the pig industry during these challenging times. There are also details of AHDB Pork-funded research and field trials and putting knowledge into practice through articles, events, visits and workshops. The Yearbook includes industry statistics looking at performance and trends, with international comparisons and trade statistics. There is a section looking at the effect on the cost of production when making key changes to performance.

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

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