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UK Outlook

Domestic production growth is expected to draw back in the second half of 2016, although still be ahead of 2016 levels. However, a shift in the balance of trade, with imports down against increasing exports, should reduce available supplies over the coming months. These are just some of the conclusions of the latest AHDB forecasts, published today, and can be found on **page 4**.

Retail meat year

Now that we are almost halfway through 2016, it is possible to take a look back at the year so far and see what trends have been emerging in the retail market for different proteins. Performance has been varied across the different meats and a clear difference can be seen between primary meat cuts and pre-prepared chilled convenience products. Further analysis can be found on **page 5**.

CETA agreement between the EU and Canada

The EU is in the process of completing the EU-Canada Free Trade Agreement (CETA) and final approval is currently expected in the first quarter of 2017. However, given the outcome of the referendum in the UK, progress could slow. To read more, turn to **page 7**.

German pig price on the rise

German pig prices have been increasing significantly since May, following two years of decline. The deflationary effect on the German pig price has been well documented, with the impact of the Russian import ban, subdued consumer demand across Europe and increasing production all being contributory factors. However, the price now seems to have turned a corner, with strong Asian export demand and tightening supplies supporting this, and current signs are that it may continue to increase through the second half of the year. To read an in-depth analysis of some of the factors behind this, turn to **page 8**.

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Key data

	Jun-16	Change since May-16	Change since Jun-15
Average GB carcass weight - kg	80.74	-0.69	+0.60
30kg weaner price - £/head	40.14	+1.58	-4.09
7kg weaner price - £/head	30.06	+0.88	-2.86
GB APP (Euro-spec) - p/kg dw	124.35	+4.89	-12.53
GB SPP (Euro-spec) - p/kg dw	120.88	+4.87	-11.27
EU Reference price - €/100kg dw	151.32	+14.47	+4.88
UK Reference price - €/100kg dw	152.23	+4.50	-29.46
UK weekly clean pig kill - 000 head	196.4	+2.3	-6.9
UK weekly pig meat production - 000 tonnes	16.8	+0.3	-0.3
UK pork imports - 000 tonnes*	33.7	+4.3	+6.2
UK bacon imports - 000 tonnes*	16.0	-2.4	-2.4
UK pork exports - 000 tonnes*	14.2	-3.0	+1.3
Retail pig meat sales - 000 tonnes†	53.0	-0.2	-0.6
LIFFE feed wheat futures - £/tonne	108.82	+2.38	-5.68
CBOT Soyameal futures - \$/tonne	402.26	+32.58	+81.21

* Figures relate to May 2016
 † Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 19 June 2016

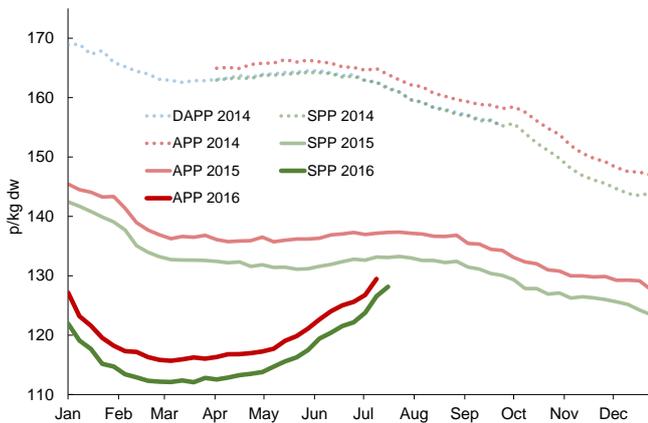
Interested in data? Get more detail about these and other areas from the [AHDB Pork website](http://www.ahdb.org.uk)

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

UK Market Snapshot

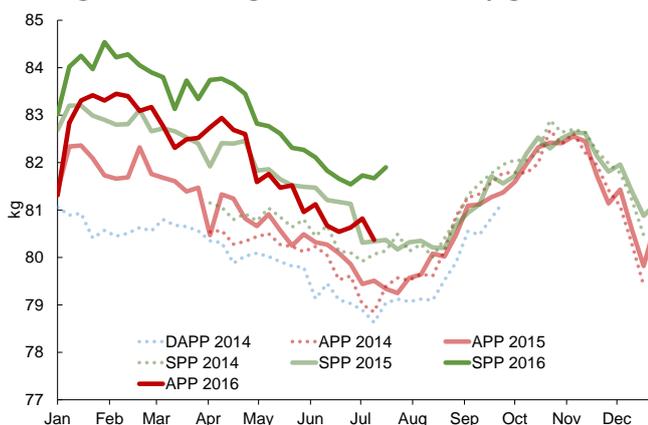
GB pig prices continued to increase in June, at a slightly stronger rate than the previous month. The monthly average EU-spec APP was 4.89p up on May, at 124.35p/kg. While this was still 12.53p behind the same point a year earlier, this gap is decreasing. The market has now recorded three months of consecutive price increases, as tightening supplies and strong export demand support prices. The first two weeks of July have continued to see strong growth, with the APP just shy of 130p for the first time since December 2015. By week ended 9 July, the APP stood at 129.47p/kg, which was last recorded in November 2015.

GB finished pig prices



The SPP grew at a similar rate as the APP during June, with the price increasing over 4p during the month, to end at 120.88p/kg. After increasing to over 3.6p in the first two weeks of the month, the gap between the APP and SPP decreased to 3.46p by the end of the period. The latest SPP, for week ended 16 July, stood at 128.14p/kg.

Average carcass weights for GB finished pigs



During June, the average carcass weight continued to decrease, by 0.69kg on May's figure, with the APP sample averaging at 80.74kg. After decreasing during the first week of the month, the average carcass weight only fluctuated slightly around the end figure. This would suggest that some balance has been brought to supply and demand within the market. Weights are still a little heavier than a year earlier, by

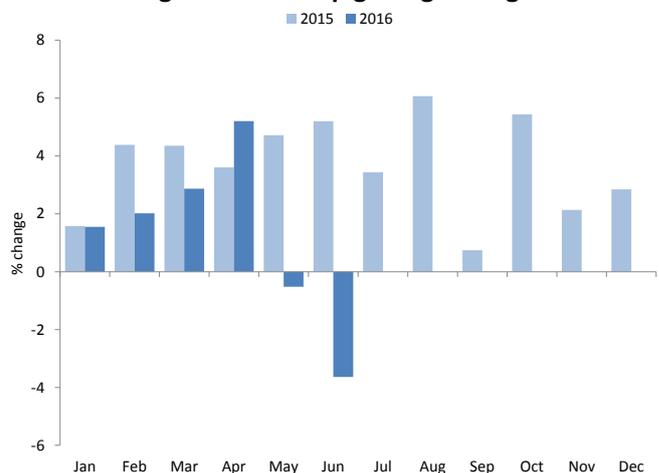
0.6kg, although this difference has been reducing over the past months.

The GB weaner market showed a modestly increasing trend during June, with 30kg weaners increasing at a greater rate than 7kg weaners. 30kg weaners recorded a price increase of £1.00 during the month, to average at £40.17. 7kg weaners recorded slightly less of a price increase of 68p, to average £30.06 for June. However, they did return to over the £30 mark in June, for the first time since January.

According to the latest DEFRA figures, pig slaughterings for June were up, to 864 thousand head, on the same period a year earlier. However, if you allow for a change in reporting periods, the latest figure actually represents a 3.6% fall in slaughtering levels on June 2015. This decline in slaughterings, providing a tightening of supplies, is contributing to supporting the UK pig price. The UK pig price has been increasing week-on-week since April, with the EU-spec SPP currently standing at 128.14p/kg, less than 5p behind the same period a year earlier.

Average carcass weight from the SPP sample increased modestly on the previous month, by 0.3kg to 81.8kg. This is also 0.53kg more than the average carcass weight recorded in June 2015. However, it remains below the 82kg level that was recorded in the first four months of the year.

Annual change in UK clean pig slaughterings



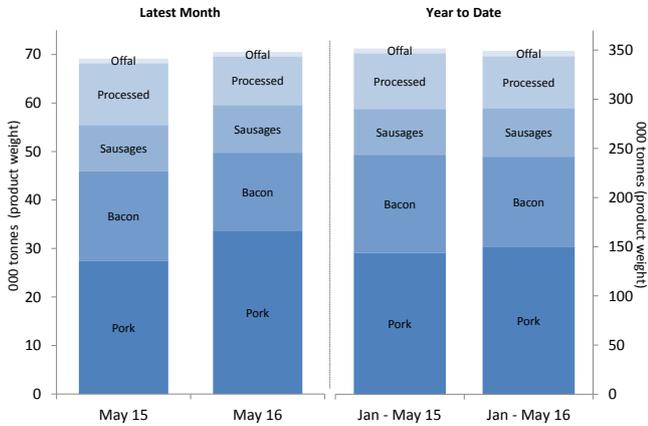
Sow slaughterings continue to increase, with June 2016 levels being 7% more than the adjusted figure for the same period last year. This infers that producers are continuing to rationalise their breeding herds in order to tighten supplies. Indeed some of this is already being experienced, with adjusted production levels down 2% in June versus last year's levels.

Imports of fresh/frozen pork were up 23% on May 2015, to 33.7 thousand tonnes. This increase was driven by Danish shipments, which doubled in May 2016, versus the same period a year earlier. However, the average unit price is still 6% behind the same

UK Market Snapshot

period last year, despite rising pig prices in the UK and EU. The decrease in bacon imports was driven by falling shipment volumes from the Netherlands, Denmark and Germany.

UK Pig Meat Imports

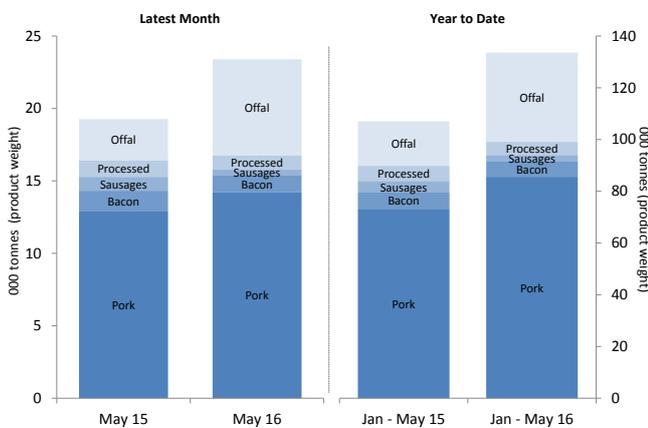


Source: Her Majesty's Revenue & Customs

UK exports of fresh/frozen pork increased once again in May, to 14.2 thousand tonnes. This was a 10% increase on the same period a year earlier. Strong export volumes to China once again were the main factor behind this growth, with shipment volumes up 76% in May on 2015 levels. Exports to Ireland and Germany recorded decreases of 7% on last year, while shipments to the United States, Hong Kong and the Philippines all saw strong growth, with volumes to the Philippines increasing over seven-fold on May 2015.

The value of UK exports of fresh/frozen pork increased by 25% in May, to £16.7million, on May 2015. This was assisted by the strong pig price in China, and a rise in shipments of high value cuts to countries such as the United States.

UK Pig Meat Exports



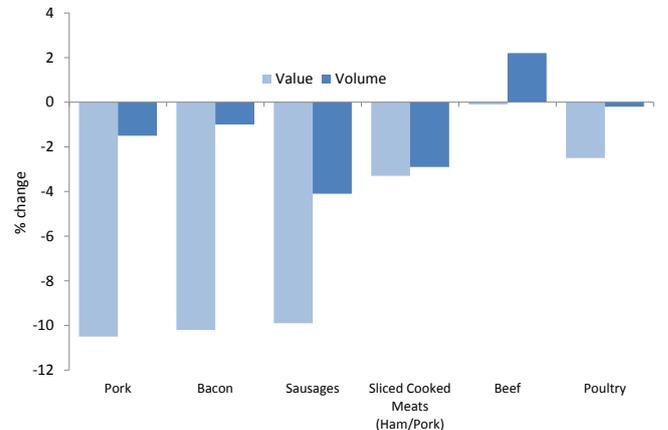
Source: Her Majesty's Revenue & Customs

Offal exports also increased in May, up 39% to 6.2 thousand tonnes. Shipments to China almost doubled, and other Asian markets also recorded strong growth.

In the four weeks to 19 June, volume sales of fresh/frozen pork grew by 3.9% on the year earlier, according to the data from Kantar Worldpanel.

However, the longer-term view showed volume sales of fresh/frozen pork in the 12 weeks to 19 June down by 1.5%. The decrease in sales over the longer-term period may be explained by promotional activity that was underway during 2015, while 2016 promotional activity finished during the 2016 period. Therefore, the fact that the fall in volumes is relatively modest is reasonably optimistic, given the un-synchronised promotional campaign periods. Encouragingly, shoulder-roasting joints recorded an increase in volume sales of 7.2% over the 12 weeks. Chops and steaks were the only other cut to recorded volume sales growth, at 2.1%, while all other cuts recorded decreases, with loin roasting joints and pork ribs the most significant, at 14.8% and 12.1% respectively.

Annual percentage change in retail meat purchases (12 weeks to 19 June 2016)



Source: Kantar Worldpanel

Bacon recorded a modest decrease in sales over the twelve-week period, although this was a slightly steeper decline over the shorter-term view. Sausages and sliced cooked meats also saw volume sales declines over both the shorter and longer term view. While sausage rolls saw an increase in the longer-term view, this was reversed in the short term. More encouragingly, pork pies recorded volumes sales increases over both the longer and shorter-term period. The majority of cuts recorded a fall in their average unit price over the twelve weeks, the only exception to this was marinades, mince and pork ribs.

Although remaining at a historical low, the producer's share of the retail pork price increased slightly in June, to 33%. This was one percentage point higher than May and the highest level of 2016 so far. However, this figure is still two percentage points down on June 2015. While the farmgate price has continued to rise since March, the retail price remained unchanged from May to June. Nevertheless, the price received by producers was 9% lower than a year before, while retail prices had fallen by only 4% compared to June 2015.

UK Market Analysis

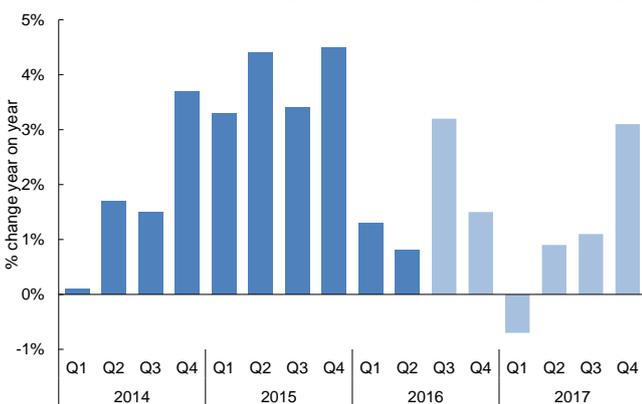
UK supplies reducing due to improved balance of trade

Domestic production growth is expected to draw back in the second half of 2016, although still be ahead of 2015 levels. However, a shift in the balance of trade, with imports down against increasing exports, should reduce available supplies over the coming months. These are just some of the conclusions of the latest AHDB forecasts, published today. This should provide the market with much needed stability, after two years of tough times, and may result in the pig price continuing to rise.

Although there is some doubt about how accurately the Defra December survey represents the true size of the pig herd, the broad picture remains of a stable breeding herd. The level of sow slaughterings recorded so far this year are below levels when an impact was last seen on the size of the breeding herd, so at most a modest decline is anticipated by the time of the June survey. Therefore, productivity growth remains the key driver behind production increases.

Forecasts suggest that productivity will continue to increase at a similar rate of recent years, based on the assumption that the breeding herd is largely stable. This is assuming that there are no major disease outbreaks affecting these volumes. The latest InterPIG results show that there is still room for improvement in productivity rates, as the UK lags behind the major producing EU member states. Furthermore, increased investment in genetics, training and research will look to further improve this figure. Therefore, it is forecast that clean pig slaughterings will continue to rise over the next year, albeit at a slightly slower rate.

Actual and forecast change in UK clean pig slaughterings



Source: Defra (actual), AHDB Market Intelligence (forecasts)

Improvements in genetics and the relatively low cost of feed have seen the average carcass weight increase and this trend is forecast to continue. However, rates may begin to slow in the second half of 2016. With supplies beginning to tighten, fewer pigs will be rolled and producers may be incentivised to bring their pigs forward in a timely fashion. Therefore, production growth is forecast to continue, although the rate may be slower than the previous year.

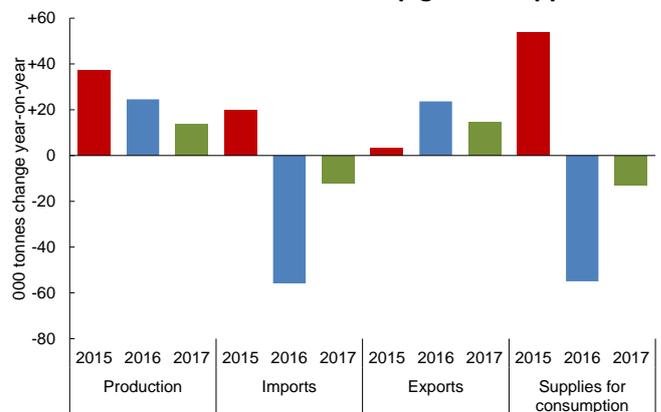
Feed costs are not currently forecast to rise significantly, with a glut of wheat still available on the global market, although until harvest is complete some uncertainty remains. However, soyameal has recorded recent price increases, due to concerns over the quantity and quality of the stock from South America. Feed ingredients are priced in US dollars, so if the dollar continues to strengthen against the pound, this will increase import costs of feed.

The Brexit vote on 23 June, and the subsequent weakening of sterling against both the euro and the dollar has improved international trade prospects for the industry. The price premium between the UK and the EU price has now been completely eroded and the EU price currently stands at over 10p/kg more than the UK price.

Since the end of April, the EU price has accelerated rapidly, and currently shows no signs of slowing, as reports state that the European supply is tightening. Therefore, with imported pork becoming more expensive and less readily available, there is little incentive for buyers to purchase abroad. Overall, imports are therefore expected to be significantly lower than last year, accelerating the trend recorded in the first five months of 2016.

Exports in 2016 have gone from strength to strength, boosted by a strong import demand from the Far East, particularly China. Reports suggest that this demand will be present for the foreseeable future, as any recovery in Chinese domestic production will be slow at best. Therefore, it is expected that exports will continue to perform well for the rest of the year. However, numbers may be held back slightly by domestic production volumes supplying a greater proportion of the home market, to make up for the shortfall in imported supplies.

Actual and forecast trends in UK pig meat supplies



Source: Defra, HMRC, AHDB Market intelligence

The decrease in imports, coupled with an increase in exports are forecast to offset any increases in production. Therefore, it is projected that supplies available for domestic consumption will be down on last year's levels. This could mean that prices continue to strengthen in the second half of the year, as they have done in the second quarter of 2016.

UK Market Analysis

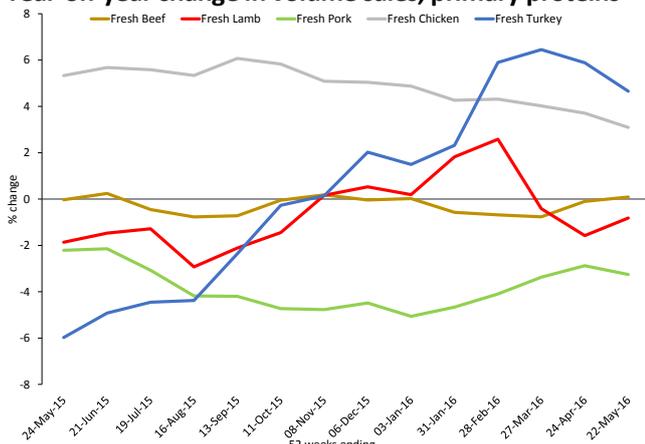
2016: The year so far for retail sales of meat

Now that we are almost halfway through 2016, it is possible to take a look back at the year so far and see what trends have been emerging in the retail market for different proteins. Performance has been varied across the different meats and a clear difference can be seen between primary meat cuts and pre-prepared chilled convenience products. In order to eliminate any short-term fluctuations, analysis is based on the 52-week period to 22 May 2016.

Pork has been in a challenging position for some time. However, the decline in sales has eased slightly this year so far, to be trending around three per cent down year on year. There may be several reasons that have helped to mitigate against a sharper decline this year. The AHDB Pulled Pork campaign ran in two waves in 2016, around Valentine's Day and Mother's Day. Initial data would suggest that these campaigns resulted in an increase in volume of sales of shoulder roasting joints. There was also a halo effect on other pork cuts, although initial figures suggest that this may not be to the same extent as that observed during the first wave of the campaign. Further analysis into the efficacy of these campaigns is being undertaken, and will be published in due course.

Beef sales have also been in decline but to a lesser extent and have never been more than one per cent down year-on-year for any 52-week period in 2016 so far. Lamb has had a more mixed performance, shifting from slight growth to slight decline, meaning that the current overall effect is that sales are generally steady year-on-year.

Year-on-year change in volume sales, primary proteins

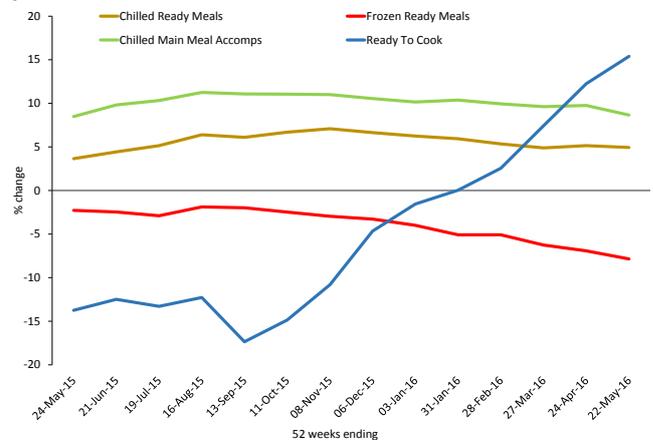


Source: AHDB/Kantar Worldpanel

In terms of primary poultry sales, volumes have been in growth of around four per cent. While reduced prices are driving this, it does mean that the value of sales is lower. Turkey sales have slowly worked out of year-on-year declines through 2015, returning to sales growth in volume terms in November last year, and in value terms in February 2016. Wet/smoked fish has also performed better, moving from fairly flat volume sales last year to three per cent year-on-year growth in May. In value terms, sales have been consistently growing through late 2015 into this year, with the latest figures indicating three per cent growth year on year for the 52 weeks ending 22 May.

In contrast to the performance of primary meat, chilled ready meals (CRM) and main meal accompaniments (CMMA) have seen consistent year-on-year growth of between five and ten per cent over the past 12 months. However, sales of frozen ready meals are in decline. Sales of ready-to-cook (RTC) products have had a very varied performance over the last five years, fluctuating between strong growth and strong decline. In March this year, sales of RTC products moved back into growth after a period of decline. The current volume of sales is similar to 2014 but still below the last peak in late 2013. Pork RTC products have shown a decrease in both value and volume in the 52 weeks to 22 May.

Year-on-year change in volume sales, convenience products



Source: AHDB/Kantar Worldpanel

It is important to take stock of how the different meats fare in convenience products. Chicken certainly features the most, with a third of the market. However, although they do not have such large shares, beef, pork and lamb all currently have strong year-on-year sales growth in the chilled main meal accompaniments category and more modest growth in ready meals. Pork CRM's and CMMA's have shown growth in both categories, particularly main meal accompaniments, although the volumes are much smaller.

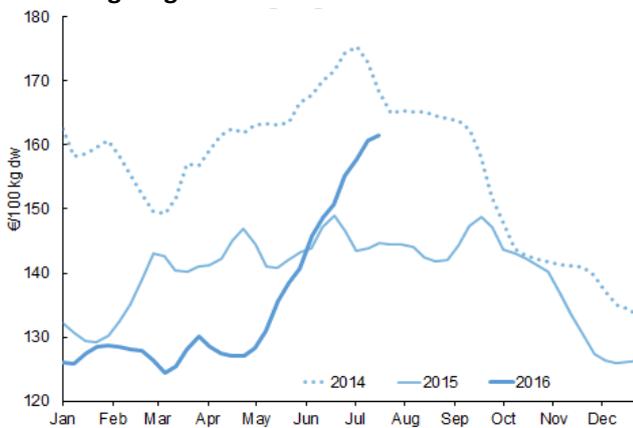
Perhaps the key trend behind the growth in convenience is the long-term decline in the average time taken to make a meal, just 30 minutes in 2016. With less time to spend on meal preparation, consumers look towards convenient options. Data from Kantar Worldpanel indicates that almost half of dishes are now bought pre-prepared instead of being made from scratch.

So what about the rest of the year? Pricing strategy in the big four supermarkets is continuing to shift away from promotional activity towards everyday low prices, with Y for £X deals in particular being scaled down. This could prove a challenge for primary meat, fish and poultry, where 3 for £10 deals have driven volume sales substantially. However, convenient meal options that feature proteins are well-performing categories, which have a clear added value element. Consequently, they represent an area of opportunity for pork, as well as other proteins.

EU Market Snapshot

The EU pig price has continued to accelerate through June, with the latest prices well in excess of 2015 levels, and almost at those last seen in 2014. In the four weeks to 17 July, the EU average price stood at €158.82/100kg, which was over €12 more than the average for the previous four weeks. This is the highest level recorded since September 2014, and the current price of €161.56 is only €14 behind the high seen in July 2014. Strong export demand from China has been the driving factor behind this growth, coupled with a tightening of supplies onto the market. In addition, consumer demand continues to strengthen, with the summer weather settling in and the south of the continent settled in the holiday season.

EU Average Pig Reference Price



Source: EU Commission

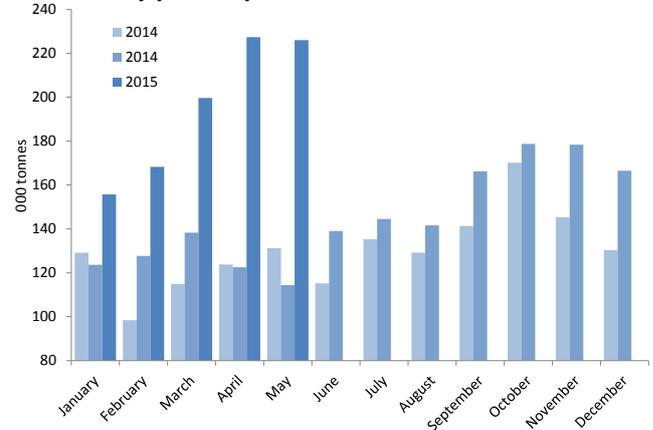
Pig prices were up amongst all the major producing member states, with the crucial German price rising strongly by almost €7/100kg over the latest four weeks. The Spanish price recorded strong growth of €7.13/100kg, only slightly behind the Dutch price difference of €7.33. The Netherlands saw a more modest increase of €2.19/100kg, but nevertheless it was still a positive movement.

With the EU price increasing at a much greater rate than the UK price, and the fall in the value of sterling against the euro post-Brexit, the UK price premium has been reversed. For the latest week, the UK price stands at over 10p greater than the EU price. A settling of the currency markets may help to steady this difference, but with no sign of any price deflationary factors on the horizon, it may be expected that this difference may continue to grow.

EU pork exports in May 2016 were marginally lower than in April but were still nearly double their level in the same month last year, at 226,000 tonnes. Latest figures from Eurostat show that booming sales to China continued during the month, topping 100,000 tonnes for the second month in a row. This was more than three times higher than in May 2015. There was some slowing of exports to Japan, although they remained higher than a year before. Sales to other Asian markets remained strong though, as did shipments to the United

States, which were more than double last May's level. Although growth was largely demand driven, lower unit prices did help exports. The average value was down 9% on the year, although the total value of exports was still up nearly 80% at €488.7 million.

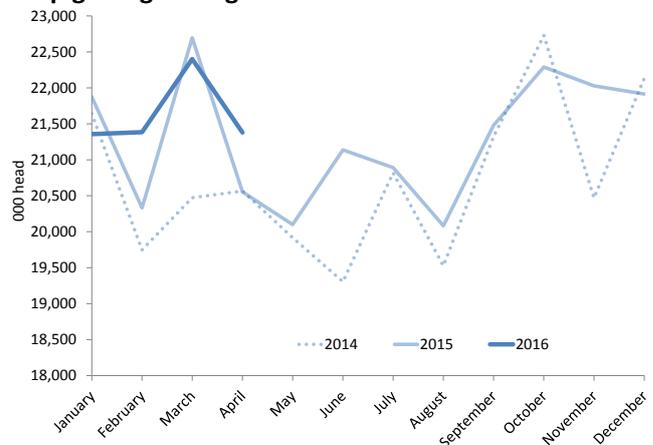
EU monthly pork exports



Source: Eurostat

Provisional figures from the EU Commission show that EU pig meat production increased year-on-year in April, up 5% to 1,950 thousand tonnes. However, when adjusted to the same working days, production levels were broadly similar to 2015 levels. Similarly, clean pig slaughtering were also up in April on the year earlier, by 4% to 21.4 million head, but slightly down when adjusted to the same number of working days. EU production levels were forecast to rise slightly in the first half of 2016, so production levels were largely in line with expectations. These production movements may suggest that member states are capitalising on the strong export demand created by the Chinese and Far East markets. The EU pig price started to increase significantly from May onwards, so these production levels would not yet take into account this market movement.

EU pig slaughtering trends



Source: Eurostat

There were fluctuations in production levels from the member states. German production increased 7% year-on-year, while Spanish production increased by 14% over the same period. The Netherlands recorded a more modest increase in production, at 3% while Denmark posted falls in production levels, of 2%.

Global Market Analysis

CETA agreement between the EU and Canada

The EU is in the process of completing the EU-Canada Free Trade Agreement (CETA) and final approval is currently expected in the first quarter of 2017. However, given the outcome of the referendum in the UK, progress could slow.

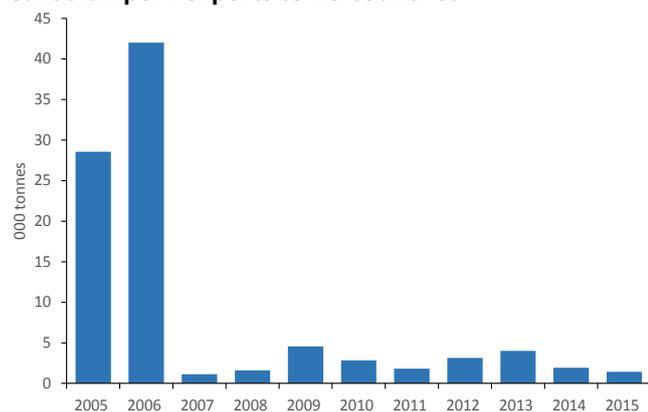
Under CETA, pork has been classified as a sensitive product. For Canadian pork exported to the EU, while a zero duty will apply, this will be limited by tariff rate quotas (TRQs). So far, Canada has had no success in penetrating the EU pig meat market but could this change as a result of CETA?

The total duty-free access granted to Canada amounts to 75,000 tonnes carcass weight equivalent (62,500 tonnes product weight). To this should be added the existing TRQ of 4,625 tonnes (product weight). In order to simplify the quota administration, this will be consolidated into CETA. The EU Commission has stated that the quotas equate to 0.4% of total EU consumption of pork. In reality, however, Canadian exporters will target cuts, especially hams and, to a lesser extent, shoulders that offer the best returns, so the impact on some EU-produced cuts would inevitably be greater.

The quota of 75,000 tonnes will be phased in, with 12,500 tonnes in year one, increasing by the same amount each year until the full amount is reached in year six. The tariff lines included are fresh pork and cured hams and shoulders. The conversion factor from product weight to cwe is set at 1.2.

Canada was a significant supplier of frozen pork to Romania before it joined the EU in 2007. Trade since then has been negligible, given the use of ractopamine in Canadian pig production, allowed from 2005 but banned in the EU. The Canadian Pork Council (CPC) recently reported that the number of slaughterhouses requiring ractopamine-free pigs is increasing and all major plants will be ractopamine-free by the end of 2016. However, the ractopamine-free certification program is very costly and CPC is looking for other ways to demonstrate that the industry is no longer using the product.

Canadian pork exports to EU countries



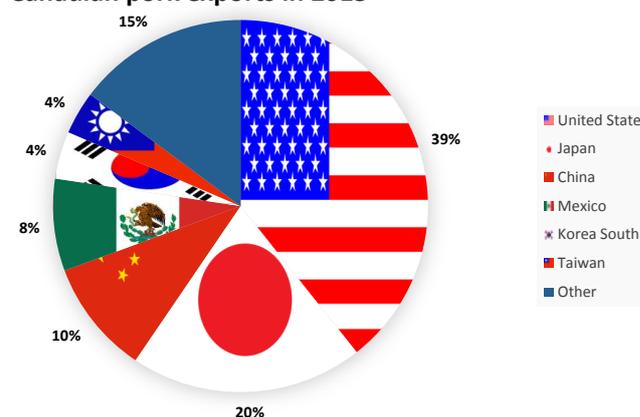
Source: Statistics Canada, GTIS

The Canadian pork industry has welcomed the CETA

agreement as it offers “by far the best opportunity Canada will have for many years to acquire new access to this important pork market”, according to William Wymenga of the CPC, in December 2014. The EU is the only major pork-consuming region in the world that Canada has had little market access to. The introduction of these larger quotas should encourage the industry to invest in the measures necessary in order to obtain access to the EU market. CETA will encourage additional plants to obtain EU certification.

Canada is the third largest global exporter of pork after the EU and the United States. Shipments in 2015 amounted to almost 900,000 tonnes, with its two key markets being the US and Japan. These two countries account for 60% of the total. In 2015 Canada exported to 75 markets, with almost 25 of these taking more than 1,000 tonnes. Of the total, 55% consisted of chilled pork, with trade dominated by regional shipments to the United States and Mexico plus Japan. Frozen pork is inevitably exported to a larger number of markets, with the most important being China.

Canadian pork exports in 2015



Source: Statistics Canada, GTIS

The Canadian pig sector is geared towards exports, which account for two thirds of domestic production. There are more than 7,000 pig producers in Canada producing more than 25 million head per year. Production costs are on a par with those in the United States and over 25% lower than in the EU, based on the InterPIG results. Alongside the CPC, which represents the interests of pig producers, Canada Pork International has responsibility for export promotion. Pork is the main product exported but Canada also has a substantial trade in processed products, offals and fats. Total export revenues in 2015 amounted to C\$3.4 billion.

What comes next for the EU, the UK and Canada on this deal is somewhat uncertain. The full implications of the UK's exit from the EU will take time to become clear. Whether this will affect the timetable for the ratification of the CETA deal or even mean it will require some renegotiation remains to be seen. Nevertheless, when it does come into force, the deal looks set to have some important implications for the pork sector on both sides of the Atlantic. For the EU, it may also provide some indication of the possible impact of the larger trade deal with the US, TTIP.

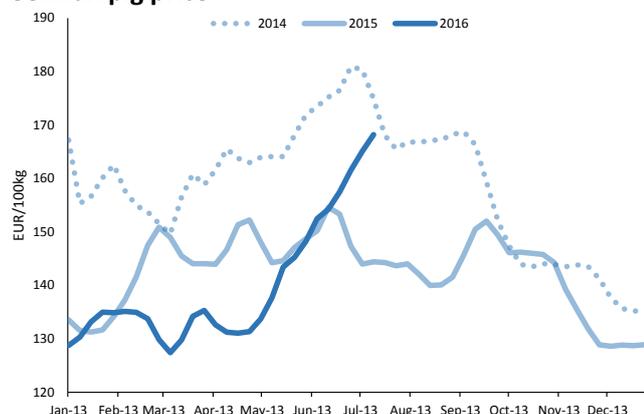
Global Market Analysis

German pig price on the rise

German pig prices have been increasing significantly since May, following two years of decline. The deflationary effect on the German pig price has been well documented, with the impact of the Russian import ban, subdued consumer demand across Europe and increasing production all being contributory factors. However, the price now seems to have turned a corner, with strong Asian export demand and tightening supplies supporting this, and current signs are that it may continue to increase through the second half of the year.

Having fallen to a low of €1.27 per kg in March 2016, the German pig reference price increased steadily through April before accelerating through May and June. In the latest week, ended 14 July, it stood at €1.68 per kg, which is almost €0.24 higher than the same point in 2015, and only just under €0.07 behind 2014 levels.

German pig price



Source: EU Commission

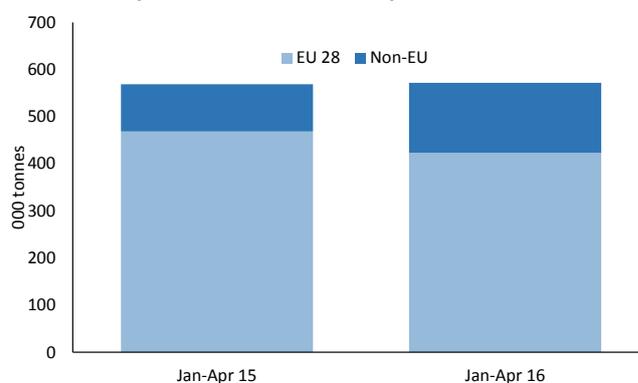
German piglet prices have followed a similar trend, although the increase has been more gradual since the beginning of the year. They currently stand at almost €55 per head, having started 2016 at just over €37 per head. Some of this recovery can be attributed to seasonal fluctuations but the decreasing pig herd, which has led to a tightening of supplies, and increased confidence in the longer-term outlook, has also affected it. Cull sow prices have also increased since May following two years of decline, with the latest price of €1.15 per kg being 18 cents higher than 2015 levels.

This improving picture is a result of a combination of factors. Strong demand from China is undoubtedly a driving force, with German shipments in the first four months of 2016 doubling on the same period a year earlier. Not only have the volumes to China increased but so have the value of these shipments. They have forged ahead, at over 150% more than 2015 levels. The surging Chinese pig price, exacerbated by a shortage of domestic supply in the face of increasing demand, has seen the value of German exports to China soar.

The growing trade with China has helped support overall export levels, as intra-EU trade has declined in the first four months of 2016, when compared with a year earlier.

Fellow member states have also been affected by large production volumes and have therefore managed to satiate a greater proportion of their domestic demand.

German exports of fresh/frozen pork



Source: Statistics Germany, GTIS

The euro was starting to strengthen against the US dollar in the first quarter of 2016, after largely weakening throughout most of 2015. However, this movement has begun to reverse in recent weeks, compounded by the uncertainty the Brexit vote brought to markets. While the weakening euro will help export sales, it could mean that feed prices may increase, as these are generally priced in US dollars. This comes on top of the increasing price that is being recorded for soyameal, with restricted supplies from Argentina causing this. While producers will not welcome an increase in production costs, they may be largely softened by the improving pig price, so the impact on margins may be mitigated.

A tightening of supply has also supported the German pig price. From the latest census, released in May, the German pig herd had fallen a further 4%, to 27 million head. Within this, the breeding herd was back 6%, which will result in a further tightening of supplies in the second half of the year.

Production levels in 2016 to date have been similar to a year earlier, with slightly lower slaughterings offset by heavier carcass weights and a small rise in sow cullings. However, as the year progresses, it is expected that production levels will start to fall back, as the effect of dwindling supplies is felt. Therefore, this could further support the German pig price through the second half of the year.

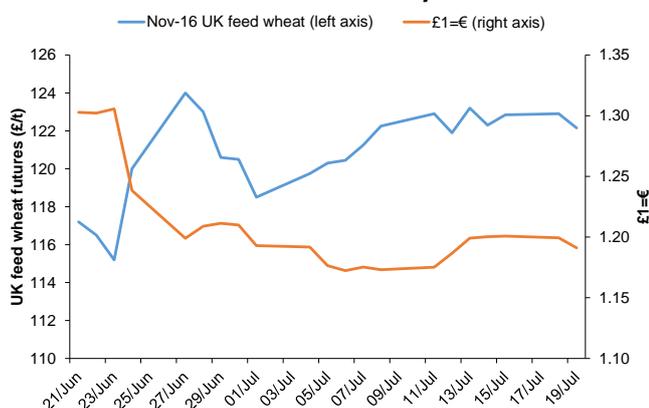
With Germany remaining at the heart of the EU pig market, developments there will continue to influence the rest of the EU. Whether the increasing price and strong export demand from the Far East will have an effect on the size of the German pig herd remains to be seen but any changes in numbers will take time to work through the system. This period of rising prices comes as a welcome respite after a tough time, and may offer producers a chance to recover some losses and reinvest in the industry to help buffer against future difficult periods. It will also be helping to ensure that prices in other EU Member States, including the UK, are supported.

Feed Market

Over the past month (23 June - 20 July) markets have been reacting to the outcome of the EU referendum. From 23 June to 19 July the value of sterling fell by almost 9% against the euro, reaching its lowest point on the 6 July of £1 = €1.17, the lowest level since October 2013. Towards the end of the month currency recovered slightly, with sterling reaching €1.19 on 19 July.

Feed wheat futures have followed a similar path to the currency. The UK feed wheat futures price (Nov 16) climbed £4.80/t between 23 June and 24 June in the immediate aftermath of the Brexit vote. This represented the single biggest daily rise in the Nov-16 contract since it began trading. The Nov-16 futures price peaked on 27 June at £124/t before falling back. In July prices have been relatively stable, closing at £122.15/t on 19 July.

UK feed wheat futures and currency



Source: AHDB

Over the past month concerns have arisen surrounding the quality of the French wheat and barley crop. The latest report from FranceAgriMer rated only 49% of the soft wheat crop condition and 44% of the winter barley crop as good to very good. This leaves crop conditions in 2016 substantially behind where they were in 2015. The concerns over French wheat quality have added bullish measures to an otherwise bearish grain market.

However, from a feed wheat perspective the implication is less certain. Reduced yields would support prices but quality issues could mean more EU wheat being sold for feed, weakening prices. What matters for UK feed wheat prices is how these two weigh up.

The 2016 AHDB Planting and Variety survey shows an overall decline in the area of cereals and oilseed rape (OSR) across England and Scotland. This overall decrease results from a sharp fall in the oilseed rape area for a second year running, plus slightly lower winter barley and wheat areas. However, the strongest GB spring barley area since 2013, plus higher oat levels have helped to balance the total area.

Main findings of AHDB's Planting Survey 2016

000 hectares	Final 2015 area	2016 area estimate	% change
GB wheat	1,824	1,794	-2
GB winter barley	435	426	-2
GB spring barley	644	682	+6
GB oats	129	135	+4
English/Scottish OSR*	652	591	-9

*Due to a low response rate, Welsh OSR figures not available

Source: Defra, AHDB

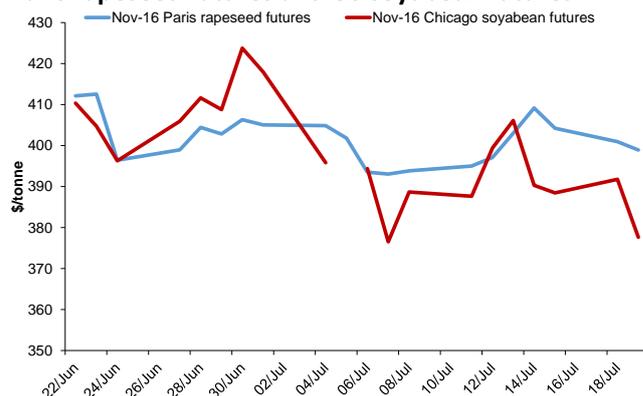
The proteins market across the past month has been driven by weather concerns in the US. Weather forecasts are pointing to reduced rainfall and increased heat in the Midwest at the start of August. This weather pattern has re-iterated concerns of a La Niña event. In late July the majority of the US soyabean crop will be in a key stage of yield development and be particularly susceptible to the damaging effects of dry, hot weather.

In the most recent world supply and demand estimates, the USDA has pegged US soyabean production for 2016/17 at 106Mt. If realised, this value will be the third highest on record but it is heavily reliant on yield projections. The forecasts of damaging weather conditions led to significant price rises in the month for both soyabean and rapeseed futures. Between 7 July and 13 July Chicago soyabean futures (Nov-16) climbed by \$29.58/t; similarly, Paris rapeseed futures jumped by \$9.96/t (€9.25/t).

UK delivered rapeseed prices followed a very similar trend to the global oilseed futures markets. Since 24 June, prices for delivered rapeseed have jumped £18.50/t, reaching £291/t on 15 July.

However, following improvements in weather conditions, and soil moisture in the US over the weekend of 16 July, futures markets reacted in a more bearish fashion. On 19 July, Chicago soyabean futures closed at \$377.63/t, representing an overall fall of \$27.10/t across the month.

Paris rapeseed futures and US soyabean futures



Source: AHDB

In Brief

What could a UK/EU trade relationship look like post-Brexit?

A new AHDB report looks at five potential options for the UK's trading relationship with the EU post-Brexit.

The nature of the future relationship that the UK government will seek to negotiate with the rest of the EU has not yet been defined, following the 23 June referendum decision to leave. It is expected that negotiations will commence once the UK gives formal notice to leave the EU under Article 50 of the Lisbon Treaty. Although there is still uncertainty surrounding the triggering of Article 50, the new Prime Minister has indicated it will not be before 2017. Negotiations will take place over a two-year period, which may be extended by agreement of all 27 remaining EU Member States.

Until the moment the UK leaves the EU, it remains a full Member State of the Union, and therefore bound by all Treaty obligations, legislation and policy.

How will Brexit affect UK trade outside the EU?

AHDB has also released new analysis of what the UK's trading relationships with non-EU countries might look like post-Brexit.

It examines existing markets for agricultural products, exploring how EU membership influences UK trade, and identifies challenges the future holds for UK trade. The 'Horizon' article also looks at the pros and cons of pursuing a restrictive trade policy and what this might mean for agricultural industries.

Issues around trade with non-EU countries are important for the pork sector, in particular. So far this year, 45% of UK pig meat exports have been to countries outside the EU, a share which has been rising steadily over recent years. Some of the product exported to other EU Member States will also have been for onward shipment to non-EU markets. At present, UK imports of pig meat from outside the EU are negligible, as import tariffs make the EU market unattractive. However, this could change depending on the approach the UK takes to trade policy.

The new report is the second in a series of articles looking at the potential implications for the industry

of the UK's decision to leave the EU. Further pieces of analysis will be released on a range of topics in the coming weeks, to provide AHDB levy payers with a bank of independent resources on key questions raised by the referendum result. The report, along with other AHDB information on the implications of the EU referendum, can be found by [clicking here](#).

Dutch exports down in the first quarter

Export volumes of fresh/frozen pork were down in the first quarter of 2016, by 8%, to 185 thousand tonnes. A reduction in shipment volumes to Germany, back 31%, were a driving force behind this movement. Shipments to China increased five-fold in Q1 versus the same period a year earlier. While export volumes were back 8% in Q1, the value of these exports was only down 4%. Export volumes of fresh/frozen pork to Germany were down, while exports of live pigs to Germany were up 33% in Q1, and accounted for three quarters of the total 1.25 million head of live pigs exported from the Netherlands during this period. With the German pig herd declining, demand for live pigs for finishing and processing in Germany has increased.

US pig herd increasing

As at June 1, the US pig herd was at 68.4 million head, which was an increase of 2% on the same period a year earlier, according to the latest Quarterly Hogs and Pigs report from the USDA. This figure was also up 1% from March 1, 2016 and the highest June 1 inventory of all hogs and pigs since estimates began in 1964. The total number of pigs available for slaughter was also up 2% from last year, and 1% from the previous quarter. Again, this was the highest June 1 inventory since the start of estimates in 1964. The March-May 2016 pig crop, at 30.3 million head, was up 3% on 2015, the number of sows farrowed during this period was up 1% and the number of pigs weaned per litter was at a record high of 10.48. All of these factors point to a growing US pig herd, both short and longer term. With the US being one of the EU's main competitors on a global scale, this increase in production could affect the demand for EU pig meat.

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

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