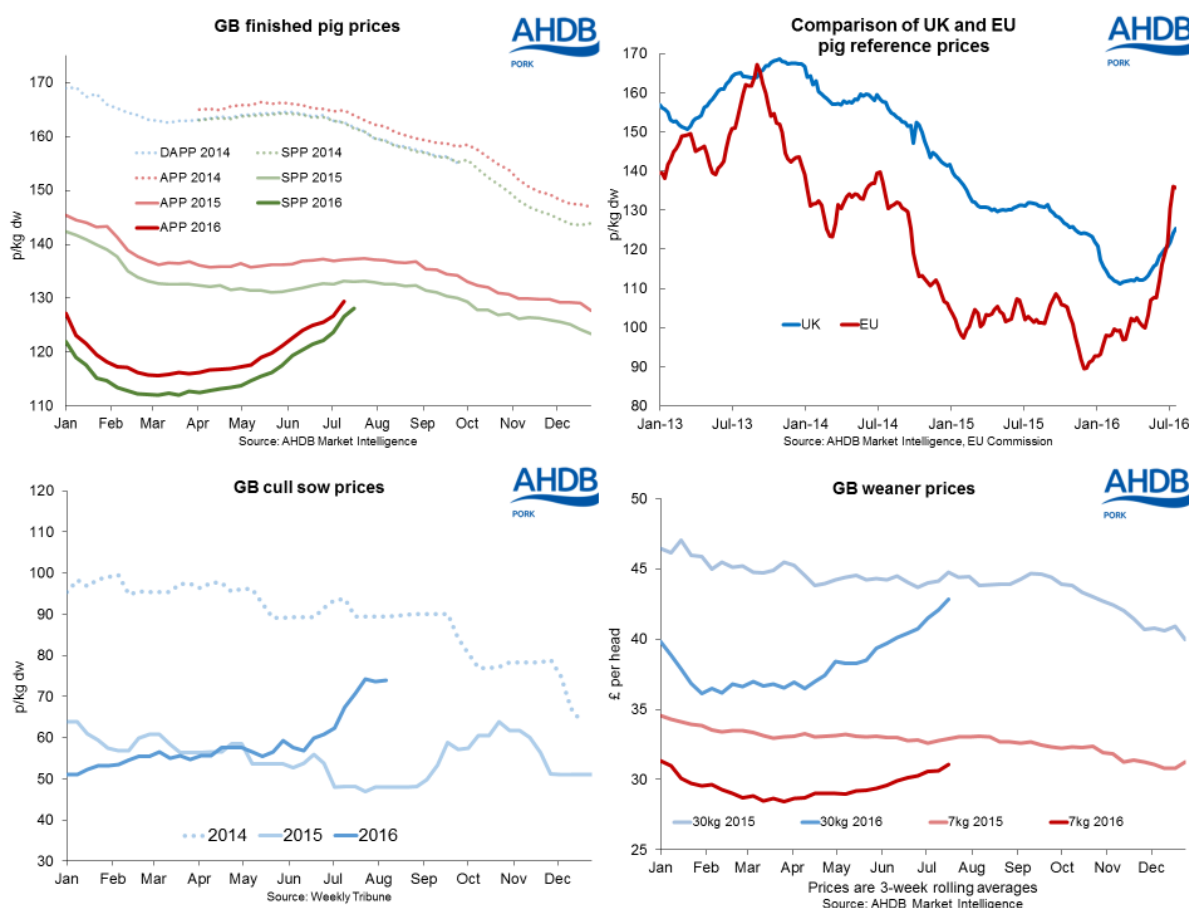


UK PRICES

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.

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.



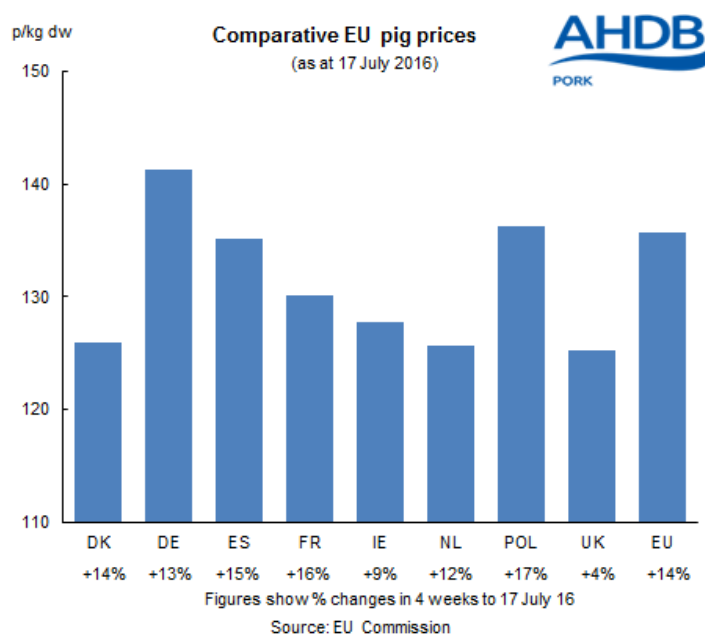
During June, the average carcass weight continued to decrease, by 0.69kg on May's figure, with the APP sample averaging at 80.74kg. After decreasing during the first week of the month, the average carcass weight only fluctuated slightly around the end figure. This would suggest that some balance has 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.

EU PRICES

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 10 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.



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.

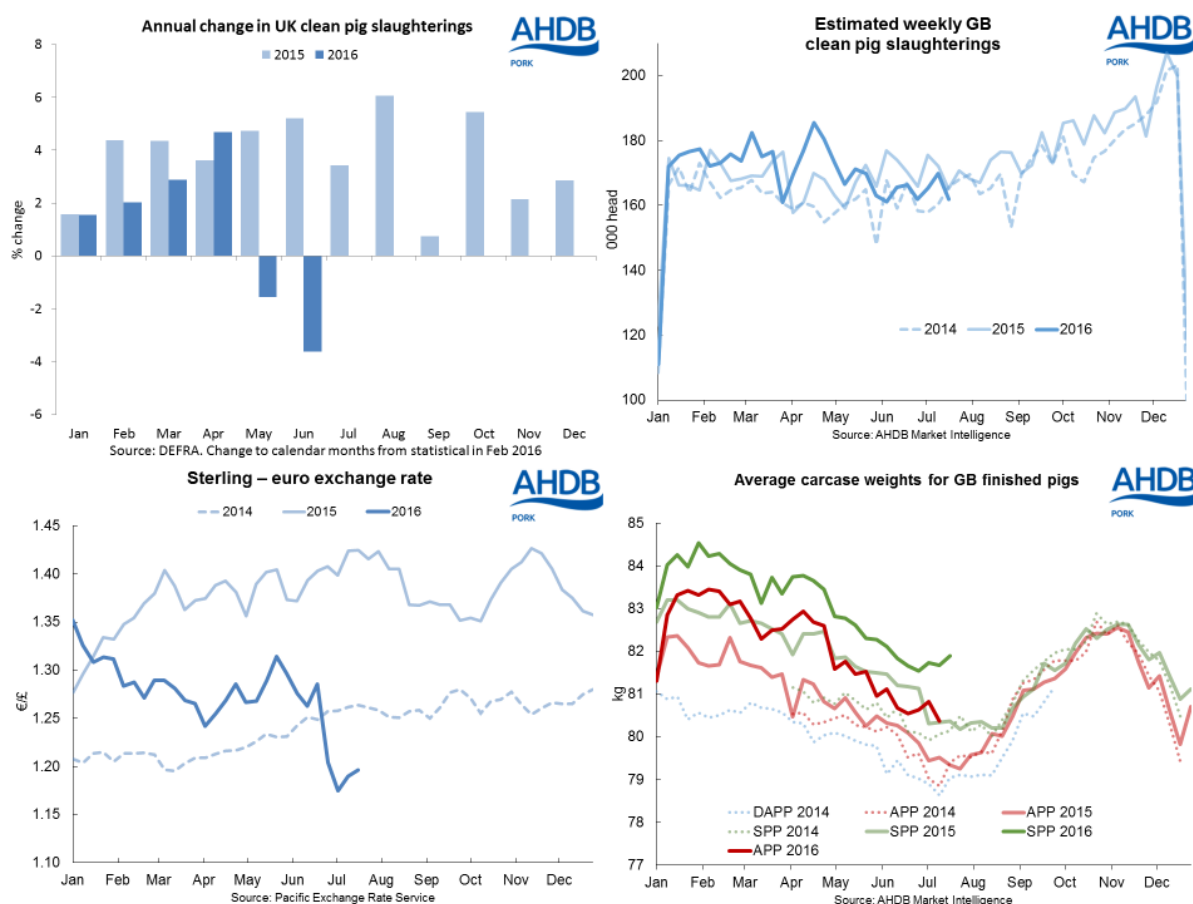
With the EU price increasing at a much greater rate than the UK price, and the fall in the value of sterling against the euro post-Brexit, the UK price premium has been reversed. For the latest week, the UK price stands at over 10p greater than the EU price. A settling of the currency markets may help 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.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

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 128.14/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.

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 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 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. 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.

FEED MARKET

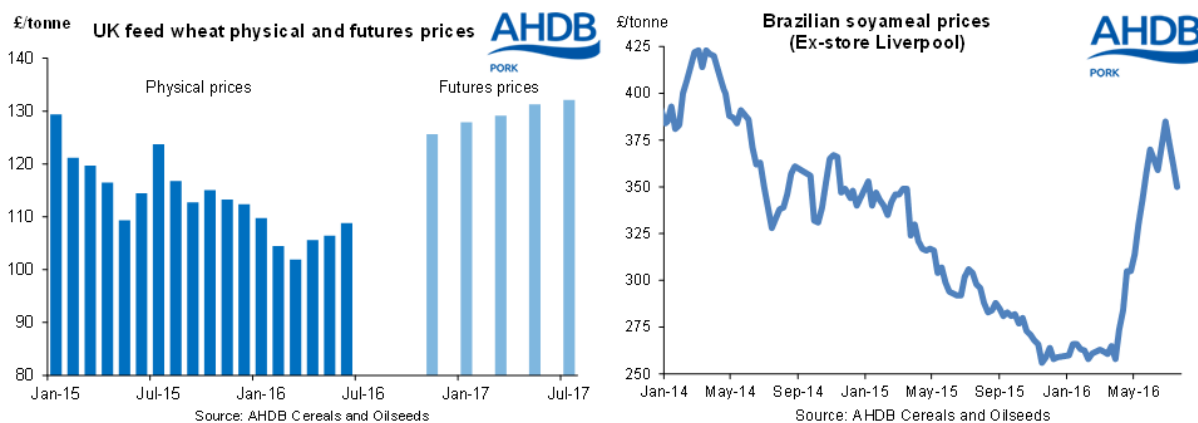
Over the past month (23 June - 20 July), markets have been reacting to the outcome of the EU referendum. From 23 June to 19 July the value of sterling fell by almost 9% against the euro, reaching its lowest point on the 6 July of £1 = €1.17, the lowest level since October 2013. Towards the end of the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

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.



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.

CONSUMPTION

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.

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 volume 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.

Trends in retail meat purchases (period ended 19 June 2016)

	4 weeks 2016/2015			12 weeks 2016/2015			52 weeks 2016/2015		
	Q	E	P	Q	E	P	Q	E	P
	% change compared with a year earlier								
Fresh and Frozen Meat, Poultry and Bacon	+2	-3	-5	+1	-4	-5	+2	-2	-3
Pork	+4	-8	-11	-2	-11	-9	-3	-9	-7
<i>Belly</i>	-10	-9	+1	-5	-5	-0	-6	-7	-1
<i>Chops/Steaks</i>	+7	-4	-10	+2	-8	-10	-2	-10	-8
<i>Leg Roasting Joint</i>	+18	+5	-11	-4	-15	-11	-9	-19	-12
<i>Loin Roasting joint</i>	-17	-38	-25	-15	-29	-16	-2	-10	-8
<i>Shoulder Roasting joint</i>	+30	+0	-23	+7	-12	-18	+1	-10	-11
<i>Marinades</i>	-11	-7	+4	-1	+2	+3	+15	+22	+6
<i>Ribs</i>	-15	-19	-5	-12	-11	+2	-6	-4	+1
<i>Mince</i>	-8	-5	+2	-7	-5	+2	-8	-13	-5
Bacon	-2	-10	-8	-1	-10	-9	-2	-8	-6
Beef	+4	+0	-3	+2	-0	-2	+0	-1	-1
Lamb	-6	-3	+3	-16	-10	+8	+1	+2	+1
Poultry	+2	-3	-4	-0	-3	-2	+3	-0	-3
Processed products									
Pork Sausages	-4	-8	-5	-4	-10	-6	-3	-7	-4
Fresh Pre-packed Pork Pies	+7	+7	-1	+7	+5	-2	+6	+5	-1
Fresh Pre-packed Sausage Rolls	-2	+3	+5	+0	+3	+2	+5	+2	-2
Pork Sliced Cooked Meats	-3	-3	-0	-3	-3	-0	-1	-4	-3
Pork Chilled Ready Meals	+3	+4	+0	+5	+5	-1	+3	+2	-1

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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