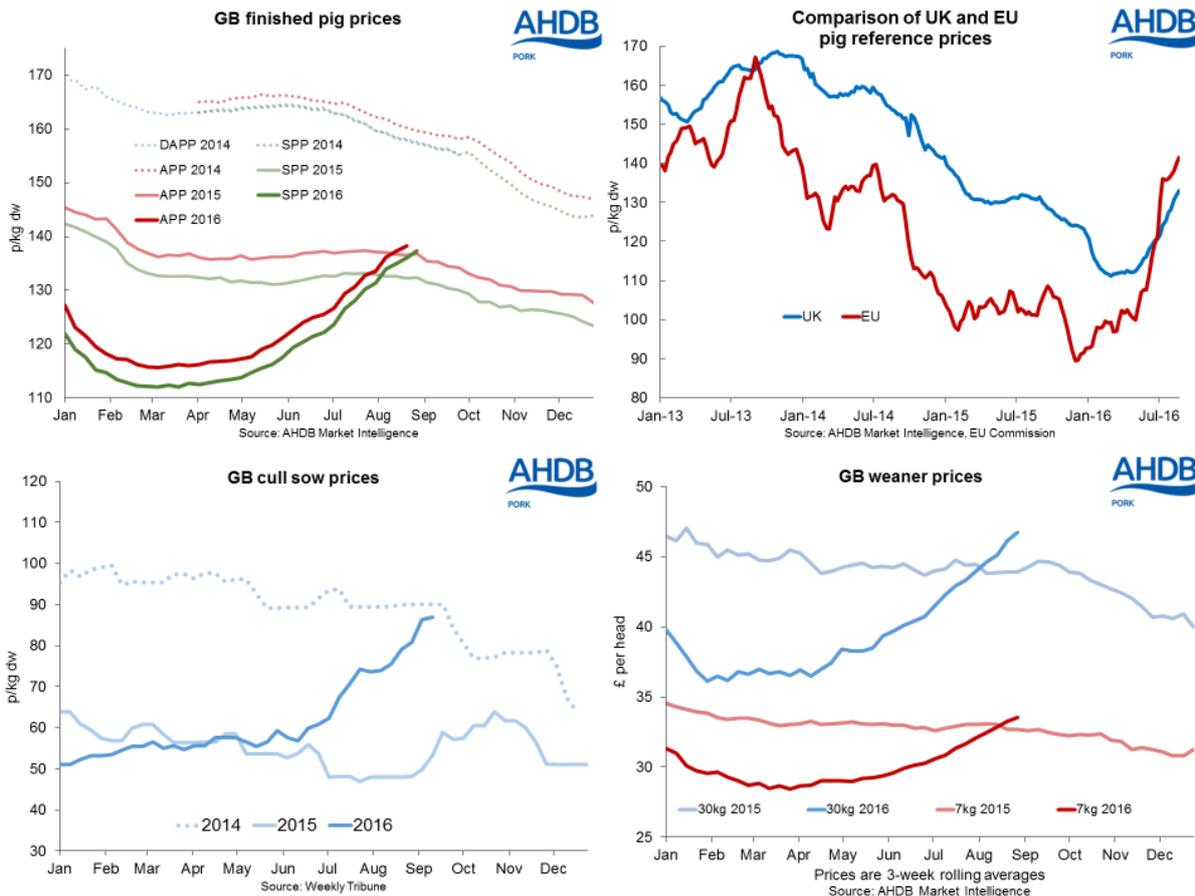


UK PRICES

GB pig prices increased significantly in July, with the monthly average EU-spec APP up 6.32p, to 130.67p/kg. The price increases have now been sustained for four consecutive months. The July price increase was the highest average monthly rise since the pricing reporting system changed, and the highest recorded since May 2011. The current quote now stands at only 6.51p behind the same point a year earlier. The weakening of sterling against both the euro and the dollar has ensured that UK pork remains competitive on both the domestic and international markets, which has increased demand and supported the price. Strong growth has been recorded into the first two weeks of August and by week ended 13 August, the APP had overtaken last year's levels, by 0.64p, and returned the APP to levels last seen in June 2015.

The SPP also grew strongly during July, increasing by over 7p on the previous month, to average at 128.05p/kg. The gap between the APP and SPP reduced throughout the month, starting at 3p and closing the period at 2.27p. The latest SPP, for week ended 20 August, stood at 136.01p/kg, which is almost 4p higher than the same period a year earlier.



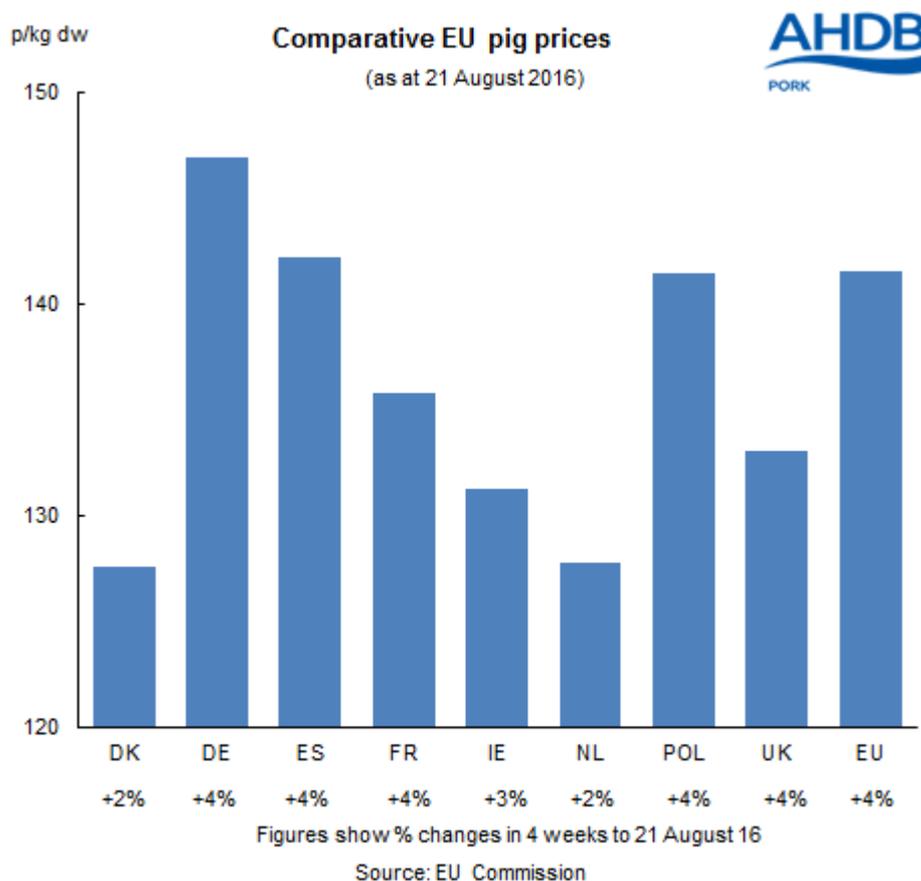
The average carcase weight continued to fall through July, although at a decreasing weight. The APP sample finished the month at 80.53kg, which was 0.21kg back on June 2016. There were modest fluctuations throughout the month, but at no point were weights north of 81kg, suggesting that pigs are continuing to come forward when they are ready, as the demand is there for them. Average carcase weights are, however, 1.11kg heavier than the same point a year earlier.

The GB weaner market followed the same trend as the pig price, with increases recorded in both weaner categories. 30kg weaners increased by £2.57 on the previous month, to £42.71/head in July, while 7kg weaners recorded a slightly more modest increase of £1.14, to £31.20/head. Weekly prices have continued to rise into August, and by week ended 20 August, both the 30kg and 7kg weaner prices were in excess of those recorded at the same point a year earlier.

EU PRICES

The rise in EU pig prices began to slow going through July and August, with the reference price closing at €163.62/100kg for week ended 21 August. This week was the first time a weekly decline, albeit a modest one of €0.05/100kg, had been recorded since April 2016. However, the reference price is still €21.71/100kg more than at the same point a year earlier, having risen €1.09/100kg over the latest four-week period.

This price increase rate was significantly slower than that recorded over the four weeks prior to this period. The slowing of the price increase suggests that supply is now at a balance with demand. While supplies have been tightening among many member states, there has also been a decrease in demand. There have been reports of a disappointing barbecue season, particularly in Germany, which has affected domestic demand. However, strong export volumes to the Far East have helped to offset this drop in domestic consumption.



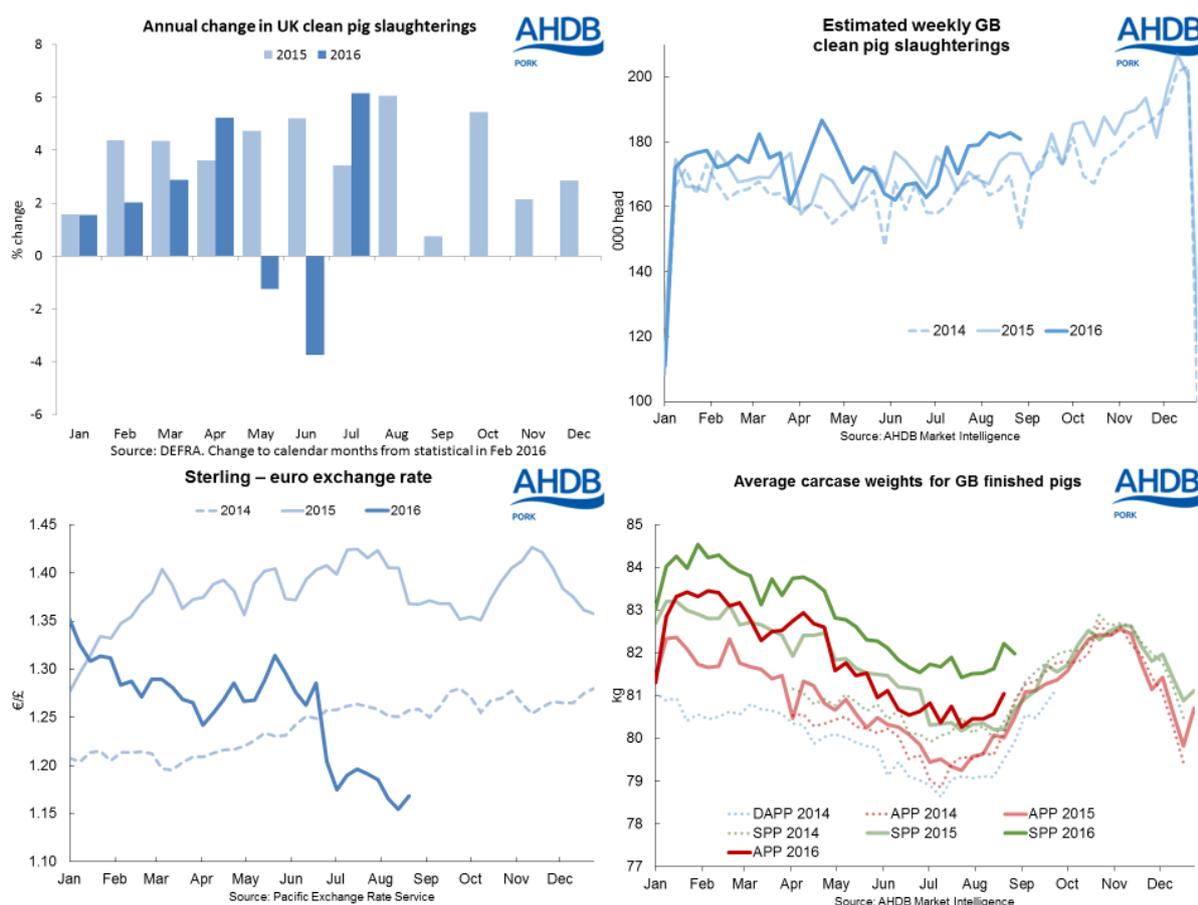
There were fluctuations in the price changes from major producing member states over the latest four weeks. Germany, Spain and France all recorded modest price increases, but none of them over €1/100kg, while Denmark and the Netherlands saw their pig prices fall back, by €2.60 and €1.99 respectively.

While the UK reference price continues to stand behind the EU price, by just under 9p/kg for week ended 21 August, this gap has not been exacerbated over the latest four-week period, despite the continued weakness of sterling against the euro.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

At 891,200 head, UK clean pig slaughterings were up 6% year on year in July, once figures are adjusted for a change in methodology, according to latest figures from Defra. However, this follows two months when slaughterings were lower than a year earlier. This amount of volatility is unusual and so the latest figures should be treated with some caution for the time being. Taking the last three months together, overall throughputs were only marginally up on the same period in 2015, which may be a more reliable indication of trends. The relatively tight supply situation this suggests matches recent industry reports and is consistent with the rising trend of pig prices throughout this period.

The new figures show a fall in sow slaughterings, compared with a year earlier, for the first time since last May. Throughputs totalled 18,600 head, 4% down on July 2015, perhaps indicating that rising pig prices have created a more optimistic climate for producers. Clean pig carcase weights remained above last year's levels, averaging 80.6kg, 700g more than a year before. Added to the rise in slaughterings, this meant that pig meat production was reported to be up 7%, at 74,600 tonnes. As with the slaughtering figures, though, this should be treated with some caution; the rise over the last three months was a much more modest 1%.



Imports of fresh/frozen pork increased by 29%, to 41 thousand tonnes, versus the same period a year earlier. This was predominantly driven by Danish imports more than doubling. The average unit price of imports was broadly the same as June 2015, with both the UK and EU price recovering after two years of

decline. Bacon imports largely stood on last year's levels, while increases were recorded in sausages, processed meat and offal imports.

UK exports continued to increase into June, with fresh/frozen pork volumes up 26%, to 18.4 thousand tonnes, on the year earlier. Chinese shipments continued to be the main driver behind this growth, with volumes up 81%. Exports to Ireland were also up 28%, while shipments to Denmark, largely for re-export, increased 30% on June 2015. While smaller in absolute volume, higher value US exports more than doubled.

The value of UK exports increased ahead of volume, up 30% to £45.9million, on June 2015. A growth of shipments to China capitalising on the strong pig price, coupled with increased shipments of higher value cuts to the US, assisted this value growth.

Offal shipments continued to grow, up 11% to 5.9 thousand tonnes, on the year earlier. Exports to China accounted for over half of the volume, and grew by 11%. Although from a smaller base, shipments to the Philippines almost trebled versus June 2015.

FEED MARKET

We're in the midst of harvest and markets have mainly been reacting to news of poor conditions in Europe, with many analysts reducing their yield estimations. On 5 August, FranceAgriMer cut its yield and output forecasts for a number of French crops for harvest 2016. The largest decrease was to the soft wheat yield, which was reduced from July's estimate of 7.1t/ha to 5.57t/ha. Strategie Grains went further and also reduced its German output estimate. It now estimates EU soft wheat output 7.7Mt lower than it did in July at 137.9Mt (151.2Mt in 2015/16).

On the UK side of things, feed wheat prices have been supported by the weakening of sterling, European crop concerns and by the domestic harvest picture. UK feed wheat futures (Nov-16) rose by over £6/t over the period 19 July to 23 August, with sterling weakening to below the £1=€1.16 mark for a time. An expectation that the UK will have lower feed wheat supplies in 2016/17 (fuelled by quality and the change in variety mix) was also a factor.

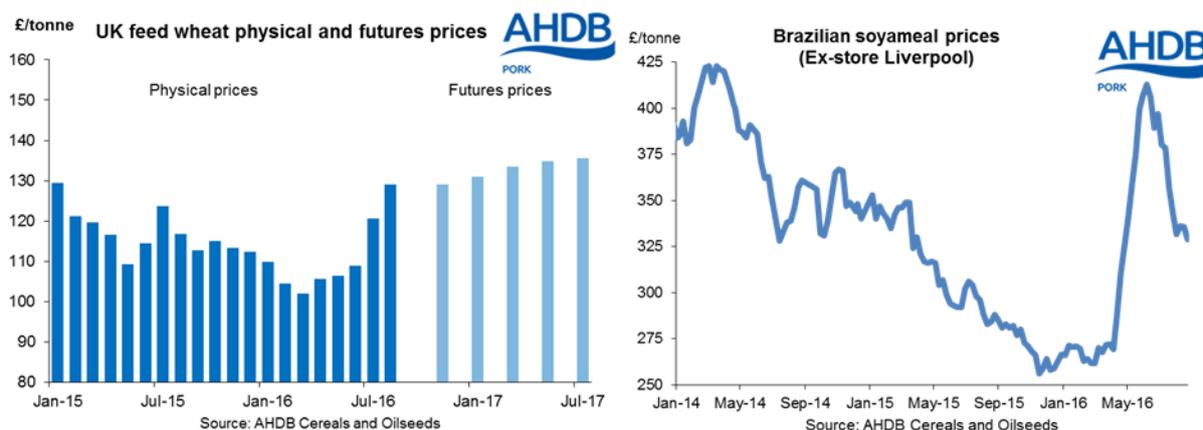
The rally in futures lifted UK average ex-farm feed wheat prices, causing a spread between spot feed wheat and feed barley prices. The spread in average ex-farm prices, for week ending 18 August, reached its widest level since July 2014.

The UK harvest is well underway with mixed initial results. As of 23 August, the winter wheat harvest was 60% complete, winter barley 99% and oats 50%. In terms of quality, ADAS reports winter barley samples have relatively poor quality. For wheat, early indications of quality have been good with the majority of milling wheat crops meeting specification.

However, the rise in wheat prices could be suppressed by world grain supplies. The USDA's August report painted a heavy picture, with total global grain stocks at the end of 2016/17 forecasted over 12Mt higher than a month ago at 508Mt (487Mt in 2015/16). The increase comes as US maize and Russian wheat production both look set to break records, more than offsetting large cuts to EU wheat output on the back of adverse weather.

Indeed, US maize futures (Dec-16) have remained historically low, at around £100/t, throughout the time period (19 July-23 August), decreasing by around £4/t. In dollar terms, it dropped by around \$4.43 to \$132.77/t. Chicago wheat futures (Dec-16) fell by £4.56/t (\$5.51/t) over the period.

Recent currency fluctuations have meant that prices for all markets have fallen in sterling terms. This highlights how currency is also a factor driving markets, along with supply and demand fundamentals.



UK winter oilseed rape harvest results are also looking disappointing. 97% was harvested as at 23 August according to ADAS, with the current yield estimate at 3-3.2t/ha, lower than the five year average of 3.6t/ha. This, along with upward movements in EU markets, has caused UK delivered prices to rise. Delivered rapeseed (Erith, Nov) increased by £26.50 between 22 July and 19 August, to £328.50/t.

In terms of the European rapeseed crop, output expectations have been lowered, compounded by FranceAgriMer cutting its French output estimates, now 15% lower than 2015. This has given support to prices.

Soyabeans have had an interesting month, with strong Chinese demand for US soyabeans giving US futures a boost at the end of July. However, recently prices have begun to sink again due to favourable weather in the US Midwest. The expected record high US soyabean output is becoming more likely, which has weighed down the oilseed complex, essentially capping any gains in the European market.

CONSUMPTION

Retail pork sales remained largely static in the 12 weeks to 17 July, according to the latest data from Kantar Worldpanel. Volume sales were down 0.8% compared with a year earlier, despite the average price falling by over 9%. This resulted in the overall pork spend falling by 10% on the same period a year earlier. Leg roasting joints were the only cut to record significant volume sales growth, up 12% on the year earlier. However, with the average unit price down over 14%, this growth was largely at the expense of price. The volume sales of chops/steaks largely stood on, with only a 0.4% increase. All other cuts recorded a decrease in volume sales, albeit at a slightly slower rate than the preceding 12-week period. The shorter-term 4-week picture was marginally more positive, with pork sales only back 0.1% on the same period a year earlier, and leg roasting joints up 31% during the same period.

Bacon sales remained static over the 12-week period on last year's levels, but posted an increase of 3% over the shorter-term view. Sausages and sliced cooked meats both recorded decreases over the medium and shorter-term view, with sliced cooked meats posting sharper decreases over the 4-week period. While pork pie sales largely stood on over the 12-week period, the 4-week period recorded sharper declines of over 12% on the year earlier.

Trends in retail meat purchases (period ended 17 July 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	+4	-2	-6	+3	-3	-5	+2	-2	-4
Pork	-0	-10	-10	-1	-10	-9	-2	-9	-7
<i>Belly</i>	+8	-4	-11	-3	-7	-4	-5	-6	-2
<i>Chops/Steaks</i>	-3	-12	-9	+0	-9	-10	-3	-10	-8
<i>Leg Roasting Joint</i>	+31	+15	-13	+12	-4	-14	-5	-16	-12
<i>Loin Roasting joint</i>	+11	-8	-17	-2	-20	-18	-2	-12	-10
<i>Shoulder Roasting joint</i>	-10	-22	-13	-1	-18	-16	+0	-11	-11
<i>Marinades</i>	-15	-19	-4	-7	-6	+1	+11	+16	+5
<i>Ribs</i>	-29	-27	+3	-16	-16	-0	-10	-8	+2
<i>Mince</i>	-3	-7	-4	-8	-6	+3	-4	-8	-4
Bacon	+3	-4	-7	+0	-9	-9	-2	-8	-6
Beef	+7	+1	-6	+4	+1	-3	+1	-1	-1
Lamb	-1	+2	+3	+1	+3	+1	+1	+2	+1
Poultry	+1	-5	-5	+1	-4	-4	+3	-1	-3
Processed products									
Pork Sausages	-1	-8	-7	-2	-8	-6	-3	-7	-5
Fresh Pre-packed Pork Pies	-12	-15	-3	+0	-2	-2	+5	+3	-2
Fresh Pre-packed Sausage Rolls	-5	-2	+2	-1	+2	+2	+4	+2	-2
Pork Sliced Cooked Meats	-8	-8	-1	-4	-4	-0	-2	-5	-3
Pork Chilled Ready Meals	+10	+10	+0	+6	+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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