

In this issue

GB breeding herd productivity continues to improve

The latest physical performance data, provided to AHDB Pork by Agrosoft, showed that the productivity of the GB breeding herd continued to improve throughout the second quarter of 2016. This increase in performance, coupled with growth in the female breeding herd, based on the latest figures from Defra, may lead to increased supplies available. However, there was a slight dip in the performance of the rearing and finishing herd, so this may peg back any increase in production volumes. For further analysis into these figures, turn to **page 4**.

Consumer confidence strengthening after Brexit blow

Since the UK voted to leave the European Union, there have been indications that this may have significant implications for the UK economic outlook. Consumer confidence was one metric that took a blow, but has since rebounded. To read more analysis into these indicators, turn to **page 5**.

Declines in EU's breeding and finishing herds

Both the EU pig breeding herd and the total pig herd declined in the year to June 2016, according to provisional figures from Eurostat. Declines of 2% were recorded in the total pig herd and 4% in the breeding herd. The weak pig market in 2015 looks to have taken its toll on European pig numbers, with producers rationalising their herds because of poor profitability during 2015 and into early 2016. To read more, turn to **page 7**.

Will Chinese trade absorb the bumper US pig crop?

US hog prices started 2016 in a somewhat sluggish fashion, at levels well below those recorded in recent years, but have shown a gradual increase throughout the year. However, of late there has been a certain amount of volatility in these prices. There have been two factors that have led to this. Firstly, there has been increasing optimism surrounding exports, with the strong Chinese demand now being accessed by US pork producers. On the other hand, there has been some uncertainty regarding supply, precisely oversupply, and this has kept prices back. To read an in-depth analysis of some of these factors, turn to **page 8**.

CONTENTS

Pages

- UK Market Snapshot 2/3
- UK Market Analysis 4/5
- EU Market Snapshot 6
- Global Market Analysis 7/8
- Feed Market 9
- In Brief 10

Key data

| | Aug-16 | Change since Jul-16 | Change since Aug-15 |
|--|--------|---------------------|---------------------|
| Average GB carcass weight - kg | 80.69 | +0.16 | +0.63 |
| 30kg weaner price - £/head | 45.96 | +3.25 | +2.09 |
| 7kg weaner price - £/head | 33.11 | +1.91 | +0.31 |
| GB APP (Euro-spec) - p/kg dw | 137.85 | +7.18 | +1.07 |
| GB SPP (Euro-spec) - p/kg dw | 135.57 | +7.52 | +3.12 |
| EU Reference price - €/100kg dw | 163.46 | +1.91 | +20.59 |
| UK Reference price - €/100kg dw | 155.35 | +5.59 | -28.21 |
| UK weekly clean pig kill - 000 head | 200.4 | -11.9 | -5.2 |
| UK weekly pig meat production - 000 tonnes | 16.8 | -0.9 | -0.3 |
| UK pork imports - 000 tonnes* | 36.6 | -4.1 | +3.9 |
| UK bacon imports - 000 tonnes* | 19.9 | -1.4 | -1.8 |
| UK pork exports - 000 tonnes* | 14.3 | -4.1 | -1.1 |
| Retail pig meat sales - 000 tonnes† | 51.3 | -0.9 | -1.2 |
| LIFFE feed wheat futures - £/tonne | 128.58 | +7.98 | +11.78 |
| CBOT Soyameal futures - \$/tonne | 330.65 | -35.21 | -5.38 |

* Figures relate to July 2016

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 14 August 2016

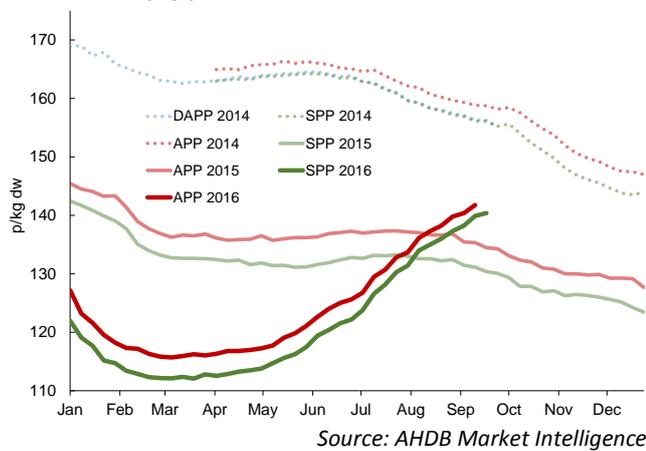
Interested in data? Get more detail about these and other areas from the [AHDB Pork website](#)

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

UK Market Snapshot

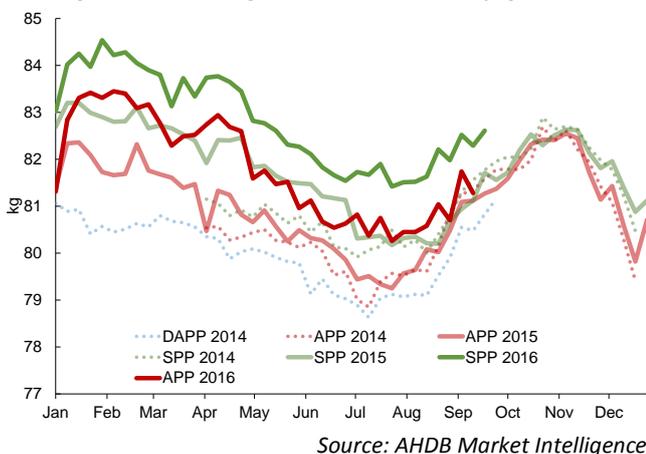
GB pig prices continued to show significant increases during August, with the monthly average EU-spec APP up 7.18p to 137.85p/kg. This means price increases have now been seen for five consecutive months. The average monthly price rise for August is even higher than that seen during July, which was the strongest rise since the APP was introduced. The continued weak value of sterling against both the euro and the dollar has ensured UK pork remains competitive on both the domestic and international markets. This greater demand, coupled with a tightening of supplies, has supported the price. Growth has continued into the first two weeks of September, with the APP exceeding 141p/kg for the week ended 10 September. These prices have not been seen since January 2015.

GB finished pig prices



The SPP also grew strongly again during August, increasing by over 7.5p on July to average at 135.57p/kg. The gap between the APP and the SPP increased throughout the month, starting at 2.13p and closing at 2.48p. However, as the SPP has increased in the past two weeks, standing at 140.38p/kg for week ended 17 September, this gap has narrowed again to 1.86p. The latest SPP is 10p higher than the same period a year earlier.

Average carcass weights for GB finished pigs



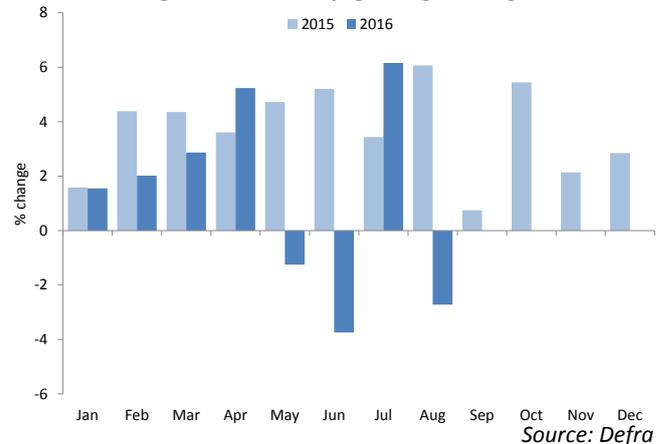
The average carcass weight rose 0.16kg during August, with the APP sample finishing the month at 80.69kg. There was a degree of fluctuation throughout the month, with weights spiking north of 81kg for the week

ended 20 August. Overall, average carcass weights were 0.63kg heavier than the same point in 2015. Despite this, carcass weights are still much lower than the start of the year, with the price now at such levels that producers do not need to roll their pigs.

As for the pig price, the GB weaner market showed strong increases in both categories during August. 30kg weaners increased by £3.25 on July to £45.96/head, a level not seen since January 2015. 7kg weaners also recorded a more modest price increase of £1.91, reaching £33.11/head. Weekly prices have continued to rise into September, for both the 7kg and 30kg categories, with the most recent figures around those seen at the end of 2014.

According to the latest figures released from Defra, UK clean pig slaughterings were back 3% in August on the year earlier, to 901.6 thousand head. This allows for adjustments to Defra's 2015 figures, following their change of reporting methodology from a statistical month to a calendar month in February. This downturn in production would confirm the relatively tight supply situation that has been experienced of late, which in turn has supported the pig price that is now above the level recorded at this point a year earlier.

Annual change in UK clean pig slaughterings



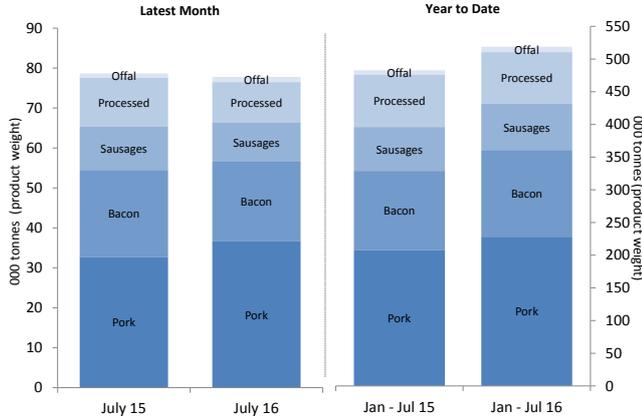
The latest figures also show a decrease in sow slaughterings on the year earlier, continuing the trend from the previous month. Throughputs of 19.6 thousand head were 5% down on August 2015, and may infer that the rising pig prices could be causing increased optimism among producers, and incentivising them to maintain, or even increase, their breeding herd. Average carcass weights stood at 80.8kg, which was 600g more than the year earlier and 200g more than the previous month. A fall in slaughterings translated to a decrease in the volume of production, which was back 2% in August on the previous year, to 75.8 thousand tonnes.

Imports of fresh/frozen pork continued to increase, up 12% to 36.6 thousand tonnes relative to July 2015. Similar to the previous month, this increase was driven by Danish imports, which almost doubled compared to the previous year. Increases in offal imports were also recorded, particularly from Poland, with volumes increasing by

UK Market Snapshot

almost 16%. On the other hand, bacon, sausages and processed meats all reported decreases in import levels.

UK Pig Meat Imports

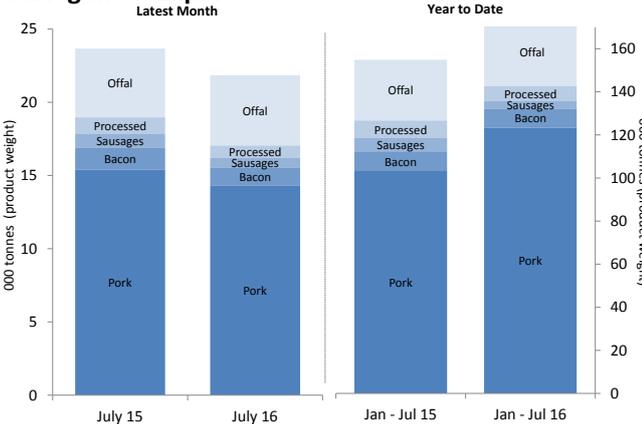


Source: Her Majesty's Revenue & Customs

UK fresh/frozen pork exports counteracted the recent increasing trend, decreasing by 7% to 14.3 thousand tonnes in July, compared to the previous year. There was a 19% decrease in shipments to Germany; a key destination for cull sow meat, and exports to Denmark were back 74% on July 2015. Chinese shipments, however, showed no signs of slowing with volumes up 62%. Despite the drop in July, overall exports for the year to date were still up 20% on last year.

The value of UK exports was up 11% on the year earlier, largely driven by the value of Chinese shipments more than doubling on the same period last year. This was supported by the strong pig price currently being recorded in China.

UK Pig Meat Exports



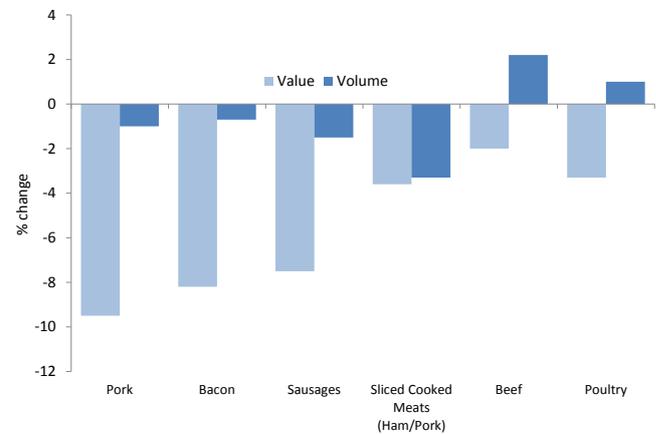
Source: Her Majesty's Revenue & Customs

Offal shipments continued to grow, up by 2% year-on-year to 4.8 thousand tonnes. This growth occurred despite a decrease in volumes to China, as these were offset by increased shipments to Hong Kong and the Netherlands – largely for re-export to the Far East. Bacon, sausages and processed meats all showed decreases in export volumes, largely due to decreasing demand from Ireland, which is one of the primary destinations for these products.

In the 12 weeks to 14 August, the amount of pork purchased was down on a year earlier, according to the latest data from Kantar Worldpanel. Volume sales of

fresh/frozen pork sold decreased by 1% on the same period a year earlier, even though the average price was back 9%. This led to a decrease in value sales of 10% over the period. Shoulder roasting joints and leg roasting joints bucked this trend, and showed an increase in volume sales of almost 3% and 10% respectively on the same period last year. However, this was at the expense of value, with the average unit price of these cuts back 16% and 8%. While volume sales of pork belly largely stood on, there was less sold across all the other cuts in this period, with marinades and pork ribs recording the largest losses of 11% and 18%, respectively. Chops/steaks sales declined by just under 1%, with loin roasting joints down 5%.

Annual percentage change in retail meat purchases (12 weeks to 14 August 2016)



Source: Kantar Worldpanel

Bacon sales recorded a decline of just under 1% in the 12 weeks to 14 August, but had fallen by almost 4% in the four-week period to the same date. While sausages and ham sales also dropped over the 12 weeks, in the shorter-term view, they remained static and increased slightly, respectively. Sausage roll volume sales remained static in the 12-week view, but in the shorter term increased by 6%.

The producer's share of the retail pork price recorded increased marginally in August, reaching 36%, the highest share for the past 18 months. This was 1 percentage point greater than both the previous month and the same point last year. However, this still remains significantly behind the 40% plus share of retail price producers were enjoying back in 2014. The increase in producers share has been assisted by the continued recovery of GB pig prices at a time when the retail price has remained largely stable.

The rise in retail pork prices in August was largely due to higher prices for loin chops (+4%). Other cuts experienced a 1% increase, with the exception of pork fillet, loin steaks and diced pork, which stood on. Over the longer term, boneless leg and minced pork both increased by 2% and pork fillet increased by 1%. However, most other cuts fell in price. The biggest fall was with traditional pork sausages which were down by 4%; boneless shoulder, loin steaks, loin chops and diced pork all fell by 3% versus August 2015, while fillet end leg decreased by 2% over the same period.

UK Market Analysis

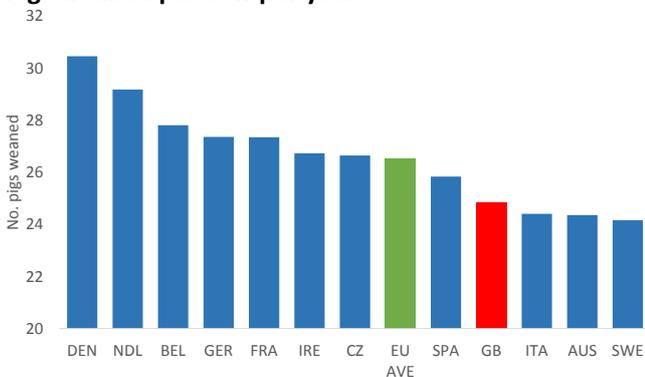
GB breeding herd productivity continues to improve

The latest physical performance data, provided to AHDB Pork by Agrosoft, showed that the productivity of the GB breeding herd continued to improve throughout the second quarter of 2016. This increase in performance, coupled with growth in the female breeding herd, based on the latest figures from Defra, may lead to increased supplies available. However, there was a slight dip in the performance of the rearing and finishing herd, so this may peg back any increase in production volumes.

The average number of piglets born alive per litter increased by 0.2, to 12.5. At the same time, the number of litters per sow stood on from the previous quarter, therefore leading to a slight increase in the number of pigs weaned per sow. However, even though there was an improvement in performance, the GB herd still stands behind the EU average, in terms of productivity, when compared with the most recent InterPIG figures from 2014. It is also some way off the pace of the leading producing states, with Denmark posting a figure of 30.46 pigs weaned per sow (2014), versus the GB average for Q2 2016 at 24.86.

Pre-weaning mortality was up slightly on the previous quarter, but this did not hold back an increase in the number of pigs weaned per sow per year. This was hardly surprising, given the increase in the size of the litters.

Pigs weaned per sow per year



Source: InterPIG (2014). GB data Q2 2016

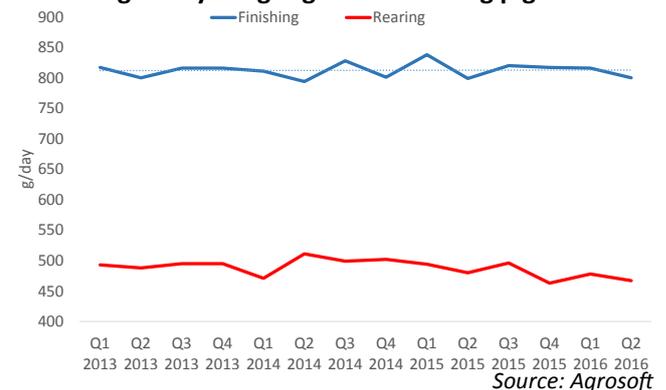
Overall productivity improvements were predominantly driven by improvements in the performance of outdoor production methods. Outdoor production saw the number of pigs weaned per litter increase 0.29 from the previous quarter, to 22.77. Conversely, indoor production saw a fall in this metric, by 0.06 to 26.30 piglets per litter. This reverses the trend that has been recorded over recent years, where indoor production improved more than outdoor production. It is still, however, the more efficient form of production. Outdoor production also recorded improvements across other breeding metrics, including the number of pigs sold per sow and the number of pigs born alive. However, although there has been an increase in the number of pigs born alive in indoor production figures, an increase in the pre-weaning mortality rates reduced the number of pigs weaned per sow per year and subsequently

the number of pigs sold per sow per year. Growing conditions have been largely favourable over the second quarter, with the Met Office reporting largely average spring weather. The beginning of the period started quite wet for some areas, although this pattern was reversed by the end of the period. Therefore, increases in outdoor production metrics may be attributed to continuing improvements in genetics and management.

When looking at specific indicators for weaning to finishing for Q2 2016, the finishing feed conversion ratio (FCR) worsened slightly, from 2.75 to 2.78. In addition, daily weight gain for finishers fell from 816 to 800 g/day over the same period. The FCR for finishers was just behind the EU average, stated in the latest InterPIG 2014 data, although the daily liveweight gain was ahead of the EU mean, by 7 g/day.

There was also a decrease in the daily liveweight gain for rearing pigs. However, the FCR recorded some improvement at the same time. Rearing mortality rates increased by 0.3 percentage points to 3.4%, while the mortality rate in finishers stood on from levels recorded in Q1.

GB average daily weight gain in fattening pigs



Source: Agrosoft

In addition to the modest improvements recorded in sow productivity, there has also been improvements to financial measures relating to sows. The rise in the cull sow price through Q2 2016 has resulted in a drop in the net breeding cost.

Feed costs are the most significant cost of production for producers, accounting for 57% of the total costs. In Q2, there were increases in all feed costs; sow, weaner and finisher feed. At the same time, sow feed consumption increased modestly. The rising pig price, which ended the quarter at 124.35 p/kg (EU-spec APP) helped soften the blow of some of these feed price increases, but there was still a deficit in the net margin, equating to, on average, 12p/kg, or £10 per pig. With pig prices in Q3 comfortably above the Q2 cost of production figure, of 132.3p/kg, it may be hoped that pig producers could start to return to positive margins in Q3, although rising feed costs may dampen this somewhat. However, continued increases in the physical performance of the breeding and pig herd would help to capitalise on increasing margins and tighten cost of production levels.

UK Market Analysis

Consumer confidence strengthening after Brexit blow

Since the UK voted to leave the European Union, there have been indications that this may have significant implications for the UK economic outlook. It will take some time for these implications to become clear but this article looks to examine some of the relevant indicators.

GDP grew by 0.6% in Q2, up from 0.4% in Q1, and has been in growth since Q1 2013. GDP growth was stronger than the generally expected 0.5% in Q2, and this was attributed to strong output before June. Forecasts from Oxford Economics for the remainder of the year are for stagnant growth. The unemployment rate for the period May – July remained at 4.9%, compared with the 5.5% in the same period in 2015. The rate of inflation in August 2016 stood at 0.6%. This was unchanged from July, and slightly above the figures experienced in the first half of 2016. The rates are still relatively low, but are generally above those experienced a year before. The largest downpull on inflation in August came from the prices of food and non-alcoholic beverages. A boost from higher import prices may support the rate of inflation. However, the exchange rate effect will fade over time.

Wage growth continued to outpace inflation, but earnings increased by less in real terms as inflation picked up. If inflation rises, as anticipated, consumers could begin to lose money in real terms.

UK earnings growth in nominal and real terms



Source: Office for National Statistics

Consumer confidence plummeted in July, with many people becoming increasingly likely to save rather than spend. The largest absolute drop was due to expectations about the economy, although expectations about personal finances and savings were also hit hard. May was the first time since 2013 that the (seasonally adjusted) index had fallen into negative territory. However, there has been a rebound in consumer confidence in August, as the initial shock of Brexit faded. This was supported by the intervention taken by the Bank of England.

According to the GfK survey of consumers' attitudes, the UK Consumer Confidence Barometer jumped five points in August, after experiencing its biggest dip in 26 years

following the Brexit vote. The survey posted gains, with all shoppers saying they were more confident in their personal financial situation and the economy as a whole. However, the GfK survey shows that shoppers are still a way behind the confidence levels they were stating last year.

Seasonally adjusted UK consumer confidence indicator



Source: European Commission/FF Online 2016

According to the latest IGD Shopper Vista survey, almost two-thirds (62%) of shoppers expect that the cost of food and groceries will increase over the next 12 months. At the same time, only 7% of consumers thought that food would be cheaper over the same time period. Alongside this, there has been a big shift in the importance of quality relative to saving money for shoppers. In May, for the second time, more people claimed that quality would be more important than saving money. However, this has significantly shifted since the referendum, with more shoppers now focusing on saving money.

Shoppers' food price expectations will hinge to some extent on whether we see the return of food inflation, following the drop in sterling. It will be important to monitor this. Retailers and suppliers will need to be highly agile if they are to remain competitive and offer value to shoppers. Current promotional strategy sees retailers moving away from promotional deals, and focusing more on Every Day Low Prices (EDLP), in a bid to compete with the discounters.

In addition, consumers may eat out less often, and spend less than they do now. This impact on the foodservice sector could mirror the effect recorded after the 2008 recession, although to what degree is yet to be quantified.

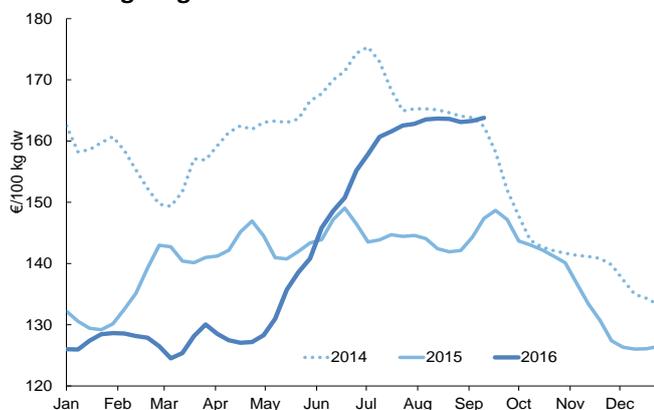
It is clear to see that there is still a fair amount of uncertainty surrounding the economic outlook, as the future of the UK outside the EU is unknown and still to be shaped. The relative calm resumed in August following the post-Brexit concerns cannot be taken for granted and the only thing to be sure of is that more volatility is on the horizon. With talk of Article 50 being invoked sometime in the New Year, this may lead to further jitters. However, as negotiations play out between the UK and the EU, they should start to shape some longer-term certainty.

EU Market Snapshot

The EU average pig reference price continued its upward trend of the year, following a slight plateau in August. As at week ended 18 September, it had risen by almost €2 in the latest four-week period, to €165.46/100kg. This is the highest price since July 2014 and 12%, or €18, up on the same week last year. The price was also slightly above the two-year earlier level, albeit by a much smaller margin; up just 2%, or €3.

The strong Chinese demand has continued to boost the EU price, coupled with the latest census figures showing a tightening of supplies across all major producing Member States. This has helped to support a drop in domestic demand across many EU states, with reports of a slightly disappointing barbecue season not livening the domestic market as hoped.

EU Average Pig Reference Price



Source: EU Commission

In recent weeks, the prices in northern Europe have been performing well. Over the last four weeks, the Danish and German prices both rose, by €3 and €4, respectively. The Dutch price increased by just over €2, while the Belgian price remained largely stable (up by less than €1). In southern Europe, the Spanish pig price fell by just over €1 in the same period.

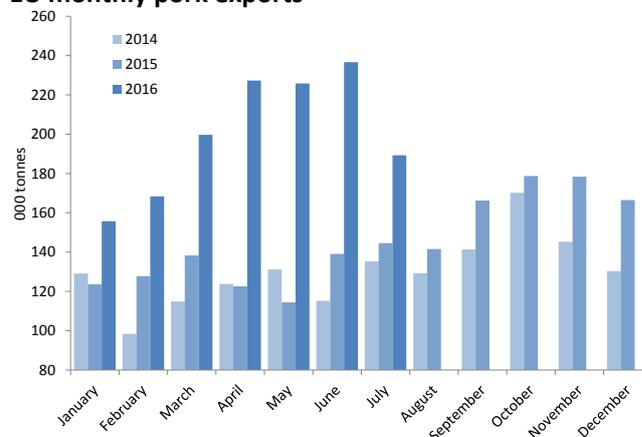
The UK reference price remains behind that of the EU, and while the gap was narrowing over recent weeks, for week ended 18 September this increased again, back to 3p/kg. However, this remains far below the price gap that was observed following the Brexit vote, of over 12p/kg.

July was another strong month for EU exports, up 31% on the year earlier to 189 thousand tonnes. However, this was just under 50 thousand tonnes less than the high point recorded in June. Sales to China continued to grow. They accounted for half of all EU exports, and had more than doubled on July 2015. Shipments to Hong Kong also recorded strong growth, up 51% on the year earlier, while exports to the Philippines and the United States posted smaller growth figures, of 11% and 5% respectively. Exports to South Korea largely stood on last year's levels, while shipments to Japan were slightly back, by 2%.

Export prices largely stood on levels from the previous

year, and the value of shipments increased by 30%, to €424 million. Again, China was the main driver behind this growth.

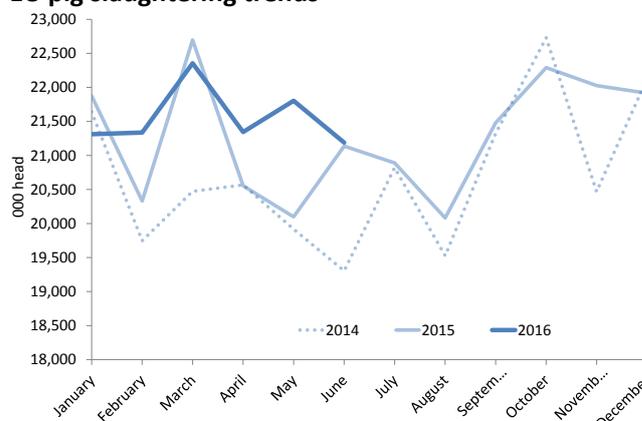
EU monthly pork exports



Source: Eurostat

Provisional figures from the EU Commission show that EU pig meat production stood on last year's levels in June, at 1,892 thousand tonnes. With the same number of working days in June 2016, versus June 2015, this allowed a like-for-like comparison. Similarly, clean pig slaughterings were also static on last year's levels, at 21.2 million head. During June, there was a strong export demand, predominantly from China, which supported the strengthening EU pig price during this period. Therefore, the absence of increased slaughterings to capitalise on this would suggest that there has been some tightening of supplies within the EU. The initial figures released for certain member states state that there is both a reduction in the total pig herd and the female breeding herd, which would further tighten supplies, thereby providing further support to the price.

EU pig slaughtering trends



Source: Eurostat

There were some fluctuations in the levels of production from major producing states. German and Spanish production was back 2% and 3% respectively, while Danish production was up 3% and the Netherlands by 16%. This reverses the direction of production recorded from these member states from the previous month.

Global Market Analysis

Declines in EU's breeding and finishing pig herds

Both the EU pig breeding herd and the total pig herd declined in the year to June 2016, according to provisional figures from Eurostat. Declines of 2% were recorded in the total pig herd and 4% in the breeding herd. The weak pig market in 2015 looks to have taken its toll on European pig numbers, with producers rationalising their herds because of poor profitability during 2015 and into early 2016. Only some countries carry out surveys at this time of year, but they include all the major producers and account for almost 90% of the total EU pig herd, allowing a representative result for the whole of the EU.

The decline in the breeding herd was driven by the majority of Member States posting reductions in this metric. Most notably was Poland, whose breeding herd was back 16%. Polish sow numbers have been in decline since 2010. This has been compounded by declining prices over the past two years, although they have been increasing since the spring, and continued outbreaks of ASF. There have been reports that a cull of 600,000 pigs maybe in the pipeline to try to combat ASF, but these remain to be substantiated.

EU pig census results*, May/June

| | 2015 | 2016 | % change |
|-----------------------------|----------------|----------------|-----------|
| 000 head | | | |
| Total pigs | 129,411 | 127,091 | -2 |
| Female breeding herd | 10,748 | 10,321 | -4 |
| In-pig sows | 7,467 | 7,125 | -5 |
| In-pig gilts | 1,320 | 1,285 | -3 |
| Other sows | 3,281 | 3,197 | -3 |
| Maiden gilts | 1,224 | 1,194 | -2 |
| Boars for service | 161 | 161 | -0 |
| Other pigs | 118,663 | 116,770 | -2 |
| Under 20kg | 39,336 | 39,119 | -1 |
| 20-50kg | 29,172 | 28,259 | -3 |
| 50-80kg | 23,933 | 23,314 | -3 |
| 80-110kg | 20,207 | 19,756 | -2 |
| 110kg or over | 5,854 | 6,162 | +5 |

* Figures cover 12 Member States, including all major pig producers

Source: Eurostat

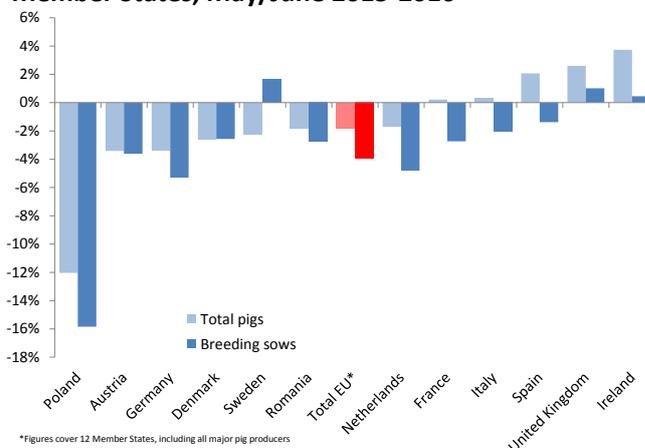
Germany, the Netherlands and Spain also posted declines in their breeding herds, of 5%, 3% and 1% respectively. This is significant as between them they account for over half of the total EU breeding herd. However, Spain still maintained its position as the largest breeding herd in Europe.

Only a couple of Member States posted increases in their breeding herd, including Sweden and Ireland. However, these are smaller producing states, so would have a limited impact on total EU numbers.

The decline in the breeding herd suggests that slaughterings should slow in the second half of the year and into next, and a tightening of supplies may be expected. There has also been a decline in the number of in-pig sows and in-pig gilts. This would further support the

forecast of fewer supplies available for consumption going in to next year.

Annual change in pig and sow numbers in selected EU Member States, May/June 2015-2016



* Figures cover 12 Member States, including all major pig producers

Source: Eurostat

The decline in the overall pig herd backs up this assumption, with the total EU pig herd back 2% in June on the year earlier. Coupled with this, piglet numbers were back 1%, and there was a decline in most other categories of weaners and finishers, of between 2-3%. Indeed, it was only fattening pigs of over 110kg that recorded an increase on the year earlier, although they only make up around 5% of the rearing and finishing herd. This contraction of the finishing herd will result in fewer pigs coming forward in the short and medium term.

The decline in the total pig herd was predominantly driven by falls in the German and Danish herds, of 3% each. The Polish herd posted the largest decline, of 12%. This may be exacerbated in forthcoming censuses if the aforementioned cull occurs. Only a handful of Member States recorded rises in their total pig herds, most notably Spain at 2%. This movement firmly secures Spain's place as the largest pig herd in Europe, with 400,000 more pigs than Germany. However, this is the slowest growth that has been recorded in the Spanish pig herd since 2012.

The decrease in the total herd should continue to support prices going forwards. While domestic demand remains subdued, as does intra-EU trade, exports to third countries, particularly China, remain strong. When this is coupled with a further tightening of supplies, it may be expected to see the EU pig price continue to increase, following the strong surge since May of this year. It currently stands above 2014 levels, and reports of increasing prices in Germany, a main driver of the EU pig price, should further push this forward.

This should come as welcome news to UK producers, as a strong European price will provide further support to the domestic price. Combined with this, if the value of sterling remains weak against the euro as Brexit negotiations play out, this will further support the competitiveness of UK pork in the export arena, while increasing the price of EU imports to the UK. This would increase the attractiveness of UK pork on the domestic market.

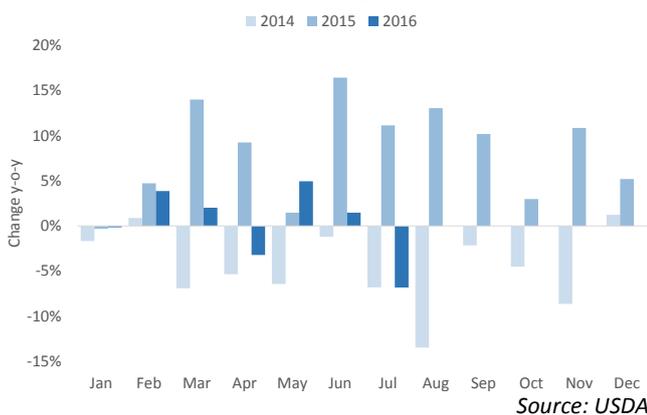
Global Market Analysis

Will Chinese trade absorb the bumper US pig crop?

US hog prices started 2016 in a somewhat sluggish fashion, at levels well below those recorded in recent years, but have shown a gradual increase throughout the year. However, of late there has been a certain amount of volatility in these prices. There have been two factors that have led to this. Firstly, there has been increasing optimism surrounding exports, with the strong Chinese demand now being accessed by US pork producers. On the other hand, there has been some uncertainty regarding supply, precisely oversupply, and this has kept prices back.

The volume of slaughterings in the first half of the year has largely fluctuated around 2015 levels. 2015 increases on the previous year were exacerbated by the PEDv outbreak in 2014. The current pig slaughter volumes are well under the estimated capacity, of 2,500 thousand head a month, so there is room for growth. If the bumper pig crop of the latest inventory comes to fruition, then it may be expected that production will rise, especially as the new processing capacity in the Mid-West comes on-line in the next of couple of years.

Change in US commercial slaughter volumes

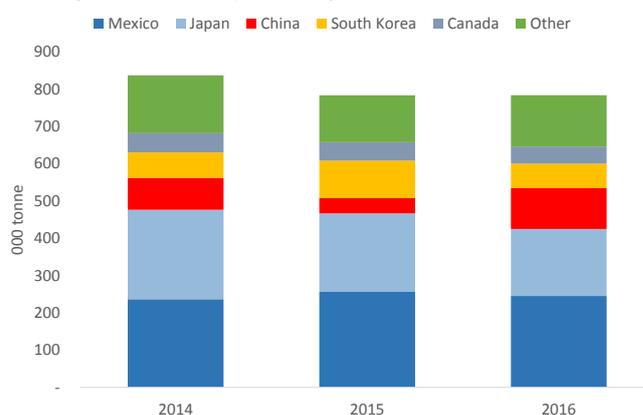


According to the latest hog inventory, total pig numbers were up 2% on June 2015, and up 1% from the previous quarter. This was the highest June inventory since records began. The breeding herd was also up, although only slightly, inferring that the increased productivity is driving the rise in the total pig herd, illustrating the increase in productivity being recorded in the US pig herd. Supplies onto the market have increased of late as a result of increased growth rates. Cooler weather and the new crop of corn coming in off the fields have aided these. Combined with typically higher pig numbers at this time of year, and higher supplies of competing meats, this may have triggered the price decline that has been recorded since mid-July. Reportedly, slaughter volumes have rapidly picked up in late July and into August, therefore putting further significant pressure on the market.

For the first half of the year, US exports have largely stood on last year's levels. However, within that overall figure, there has been a large shift in the destinations for fresh/

frozen pork. Continuing the global macro-economic trend, exports to China are up 2.5 times that on the same point a year earlier. Historically, the key barrier limiting pork exports to China has been the use of ractopamine in US pig production. Ractopamine is banned in China, therefore inhibiting US exports. However, since the end of 2015, there have been a growing number of US plants who are now listed as ractopamine free, and thereby have been accredited to trade with China. The EU is fully ractopamine free, and the decline in the value of the euro has meant that the EU has led the march to China. It now controls over two thirds of this lucrative trade. However, since the spring, the EU pig price has risen significantly, while supplies have started to tighten slightly, so this may affect the attractiveness of EU pork to the Chinese market. Should this be the case, the US may be in the position to gain back market share, especially if more plants become accredited as ractopamine free.

US exports of fresh/frozen pork



Source: US Department of Commerce, Bureau of Census

The growth in Chinese exports has come at the same time that shipments to Mexico have drawn back, by 4.5%. Mexico is the largest volume customer for US pork, accounting for almost a third of all shipments in the first half of 2016. One reason for the decline in Mexican shipments is the domestic growth of the pork industry in Mexico. The Mexican domestic herd has increased by around 15% over the last two years, which has lifted domestic pork production and pressurised imports. In addition, the strength of the dollar against the peso has also pegged back shipment volumes.

The success of US exports over the years has largely been assisted by the government's determination to push through Free Trade Agreements (FTA's). The US is currently exploring a number of FTA's, including the Transatlantic Trade and Investment Partnership (TTIP). However, the future of the TTIP looks less certain now, with the EU centring its focus on Brexit negotiations, and both the US presidential candidates rather cooler on the TTIP premise than the outgoing incumbent.

The effect of the bumper pig crop remains to be seen, but it might be expected to put further pressure on prices, unless current and further export opportunities can be shored up.

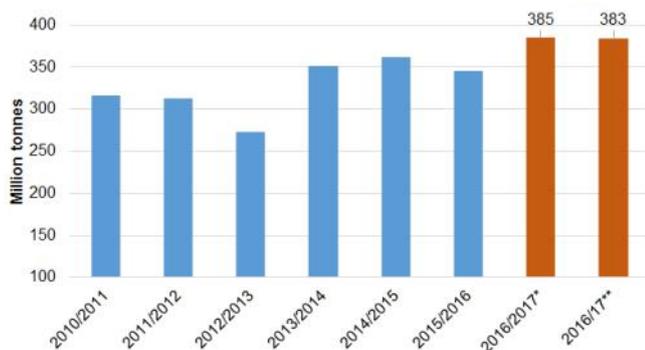
Feed Market

At the beginning of September, international grain prices were pressured on expectations of strong harvests in the US and Black Sea regions. Furthermore, the International Grains Council (IGC) increased their forecast of global grain output by 23Mt from July; output is now pegged at a record 2,069Mt. In response, UK feed wheat futures fell £3.65/t between 30 August and 6 September.

In early September, the Russian government announced a zero percent tax on Russian wheat exports. With Russian wheat supplies particularly competitive in the global wheat market and another record crop predicted (72Mt, USDA), this news added further pressure to an already heavy market.

Going into the middle of the month, grain markets fell relatively quiet in anticipation of the updated USDA world agriculture supply and demand estimates (WASDE) on 12 September. The main area of interest in the lead up to the updated estimates was maize with many expecting cuts to US yields. The USDA did cut maize yields from 10.99t/ha to 10.95t/ha. However, with US maize markets falling by \$3.74/t (Dec-16) between 12 and 13 September, this suggests that traders had factored in a sharper cut in yields in the run up to the release. US Maize production is now forecast at 383.4Mt, down 1.5Mt on last month's forecast, but still a record high.

US Maize Production



* August forecast **September forecast

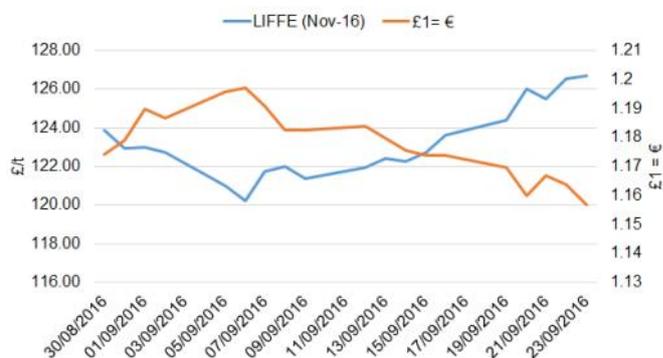
Source: USDA

Towards the end of September, UK feed wheat futures were given a boost by falls in the value of the pound. Sterling dropped from £1= €1.1897 on 1 September, to £1= €1.1569 on 23 September. In response to declines in currency, Nov-16 UK feed wheat futures rose £3.60/t over the same time, to close at £126.70/t on 23 September.

Protein markets, like grain markets, have also seen varied price movements across the month, largely driven by the changing dynamics of the US soyabean

market. On 23 September, Nov-16 Chicago soyabean prices settled at \$350.91/t, \$1.56/t up from 30 August but \$12.77/t lower than the monthly high of \$363.67/t on 20 September.

Nov-16 UK feed wheat futures and £/€ Exchange Rate

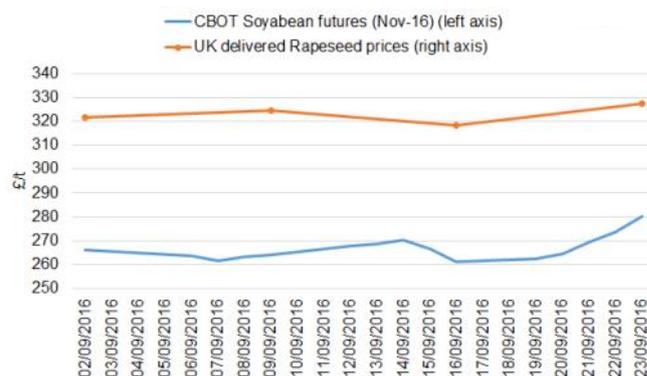


Source: AHDB

In response to the weak rapeseed harvest in the EU, the publication Oilworld (www.oilworld.de) revised down its global rapeseed production forecast for 2016/17 to an eight-year low of 60.6Mt. The downward revisions, which were echoed later in the month by Strategie Grains, suggest a tight year for rapeseed is likely.

The soyabean market did receive a mid-month boost, as weather concerns in the US, combined with increased demand levels, became the focus of soyabean market. In response, soyabean prices climbed to settle at \$360.14/t on 9 September.

US Soyabean Futures and UK Delivered Rapeseed



Source: AHDB

Delivered rapeseed prices followed the trend of oilseed futures over the month, with prices (spot delivery) into Erith falling £6.50/t between 26 August and 16 September. However, like grain markets, delivered rapeseed values also received a boost towards the end of the month. With a lack of forward demand, purchasers have been giving support to spot prices, closing up at £327.50/t on 23 September.

In Brief

Potential impact of Brexit on the meat processing workforce

The latest issue in AHDB's Horizon series highlights potential consequences arising from the loss of EU migrant labour on workforce availability in the wider agricultural and food sector. Controlling immigration was a key theme of the Leave Campaign, as well as being a motivating factor for voters, and hence it is likely that post-Brexit Britain will place some restrictions on the movement of labour from the EU. Within the pork sector, this is particularly relevant to the meat processing industry, where a disproportionate number of Central and Eastern European migrants have been employed since the enlargement of the EU in the early 2000's.

In light of the potential for a post-Brexit labour shortage affecting the pork industry, potential strategies to address this issue need to be considered. The report examines four broad categories of solution that could be employed, including schemes the government may introduce to maintain the current availability of migrant labour in the sector. Sourcing the workforce domestically is also discussed, though this is likely to prove difficult in the agriculture and meat processing industries due to the reported low desirability of these jobs to British nationals.

Equally, the suggestion of increasing labour productivity may not be feasible within meat processing, as food reports one of the highest productivities within the manufacturing sector. However, increasing automation may be of particular interest, though this would require early investment despite the current uncertainty, and may not assuage labour shortages in the short to medium term.

To read more detailed analysis of the potential impact of restricted EU migration on the agricultural and food processing workforce and a more thorough examination of solutions to tackle this complex problem, [click here](#)

Percentage of British pork facings back slightly

According to the latest Porkwatch data, the number of British pork facings in July 2016 was 1% back, to 82%, on the same period a year earlier, although it was 3% up, to 79%, on the last survey conducted in May 2016. Of all the major retailers, only Lidl increased the percentage of British pork facings on

last year, by 7%, to 95%. Asda and Tesco both reduced the percentage of British facings, by 6% and 2% respectively, to 57% and 61%. All the other major retailers stood on at last year's levels, and continued to offer exclusively 100% British pork.

Northern Irish pig herd records growth

As at June 2016, the total pig herd in Northern Ireland increased by 4% on the previous year, to 595.1 thousand head. The total female breeding herd recorded an increase of 2% on the year, to 46.4 thousand head. Of this, in-pig sows were up 2%, while in-pig gilts recorded a slightly more modest increase of 1%. The number of maiden gilts only increased slightly, by 1%.

Spanish pork exports increasing over the first six months of 2016

In the first six months of 2016, exports of Spanish pork increased 29%, to 752 thousand tonnes. This increase was spearheaded by exports to China trebling in volume on the same period a year earlier, and they now account for 20% of all Spanish pork exports. With the December census showing a growing Spanish pig herd, the strong Chinese demand provides a welcome opportunity to trade the extra product. Intra-EU exports also recorded a 7% rise in the first six months.

Consumers' perception of red meat improving

The image of red meat has been undergoing a major positive change, with consumers seeing it more and more as full of flavour, easy to cook and suitable for any day of the week.

Although poultry wins for practicality in the consumer's eye, there is one notable point where it falls down. Only 35% of respondents considered poultry full of flavour, while beef and lamb scored higher with 52% and 46% respectively.

For pork, there have already been some shifts in perception. These results show a 4-5% increase in the amount of people who think pork is easy to cook and suitable for any day of the week, compared to the last survey. These shifts should be monitored as the survey continues, to see if they become trends. However, it is not universal good news, as consumers are much less likely to agree that beef, lamb, or pork is good for you, compared to fish and poultry. Negative media coverage can influence these perceptions.

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

While the Agriculture and Horticulture Development Board seeks to ensure that the information contained within this document is accurate at the time of printing, no warranty is given in respect thereof and, to the maximum extent permitted by law, the Agriculture and Horticulture Development Board accepts no liability for loss, damage or injury howsoever caused (including that caused by negligence) or suffered directly or indirectly in relation to information and opinions contained in or omitted from this document. AHDB Pork is part of the Agriculture and Horticulture Development Board. © Agriculture and Horticulture Development Board 2016. All rights reserved.