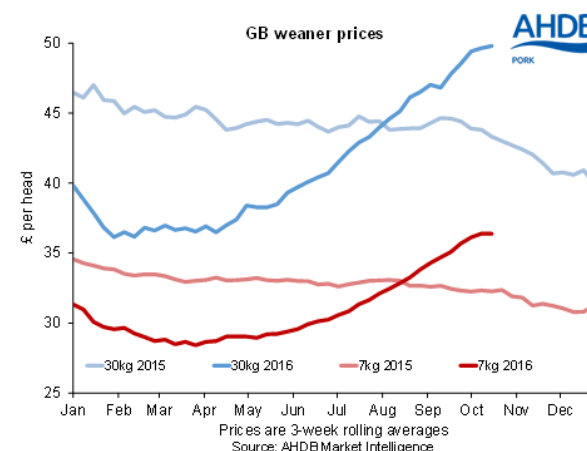
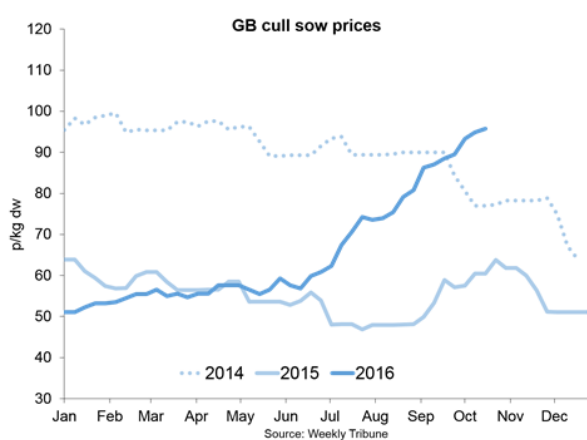
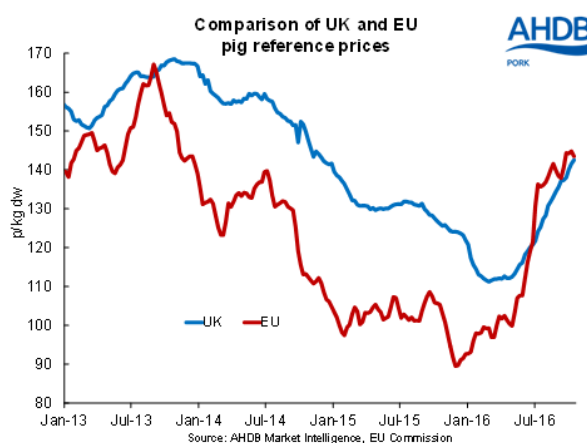
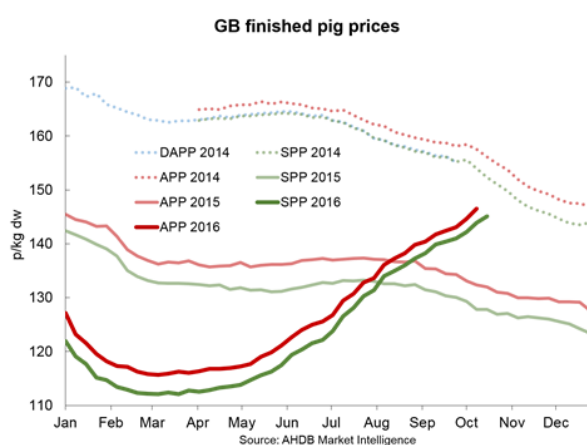


UK PRICES

GB pig prices continued to climb during September, with the monthly average EU-spec APP rising by 4.08p to reach 141.93p/kg. This is the first month the average APP has been above 140p/kg since January 2015 and follows prices continually rising over 6 consecutive months. With sterling remaining weak against both the euro and the dollar, UK pork has stayed competitive on both the domestic and international marketplace. Strong export demand, coupled to a tightening supply situation, supported the pig price. Growth has not slowed into the first two weeks of October; the APP exceeded 146p/kg for the week ended 8 October. This price level has not been seen since the end of 2014.



The SPP also continued climbing during September, reaching 139.91p/kg following a 4.34p growth on the previous month. Throughout September, the gap between the APP and the SPP narrowed from 2.13p to 2.07p. However, this gap has since widened again to 2.59p. For the most recent week ended 15 October, the SPP stood at 145.08p/kg, 17p more than the same period last year.

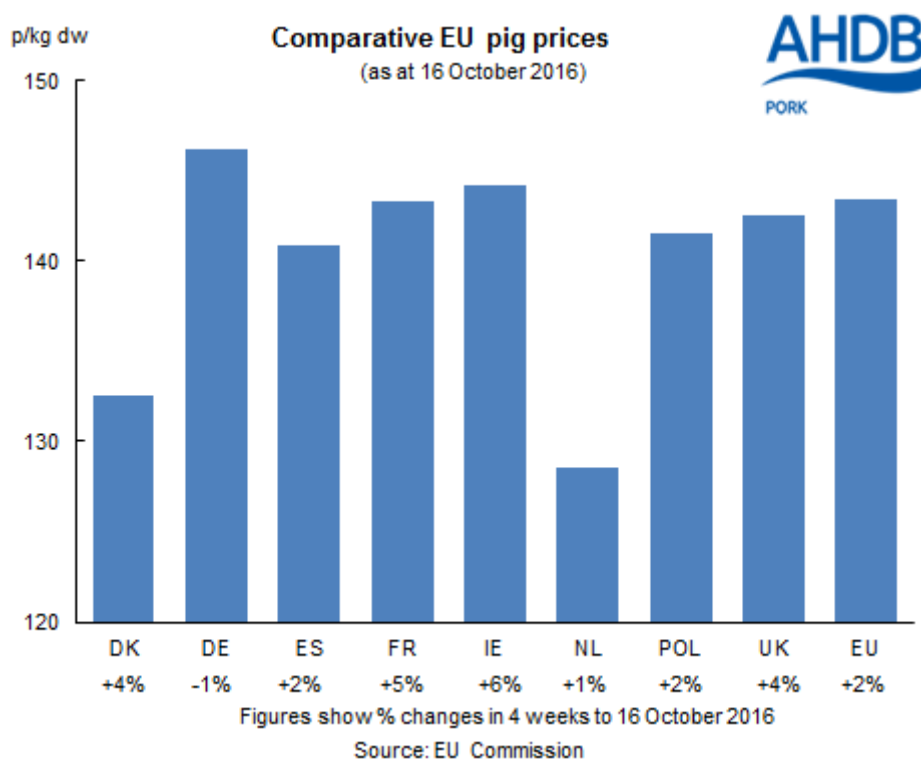
Average carcass weights followed the usual seasonal trend and increased during September; the APP sample rose by just under 1kg to reach 81.67kg. This put average carcass weights 0.46kg higher than September 2015. Weights fluctuated slightly week-on-week but remained south of the 82kg mark which was breached in spring this year when low demand meant producers had to roll their pigs. Moving into the first two weeks of October, carcass weights have declined slightly, countering the usual seasonal trend.

Price increases were also seen in the GB weaner market during September. 7kg weaners recorded a price rise of £1.78 on the previous month to reach £34.89/head, while 30kg weaners also rose in price by £1.44 to £47.40/head. These prices are on a par with those seen at the end of 2014. There have been further increases moving into October, though both markets have tailed off slightly in recent weeks. For 7kg weaners in particular, this may reflect caution in the market, as these pigs will not be finished until the traditionally slower post-Christmas period.

EU PRICES

The EU-average pig reference price tailed off in the latest three weeks. After peaking at €168.03/100kg in week ended 25 September, the price has fallen by a shade under €8 in the subsequent three weeks to €159.20/100kg (week ended 16 October). This remains 12%, or almost €17, up on the same period both last year and two years previously.

A seasonal increase in supplies is likely responsible for falling EU prices over recent weeks. Also, although Chinese demand has remained strong relative to previous years, latest export figures suggest demand has weakened compared to earlier months. With domestic demand remaining low, the increased availability of EU pork has enabled prices to fall.

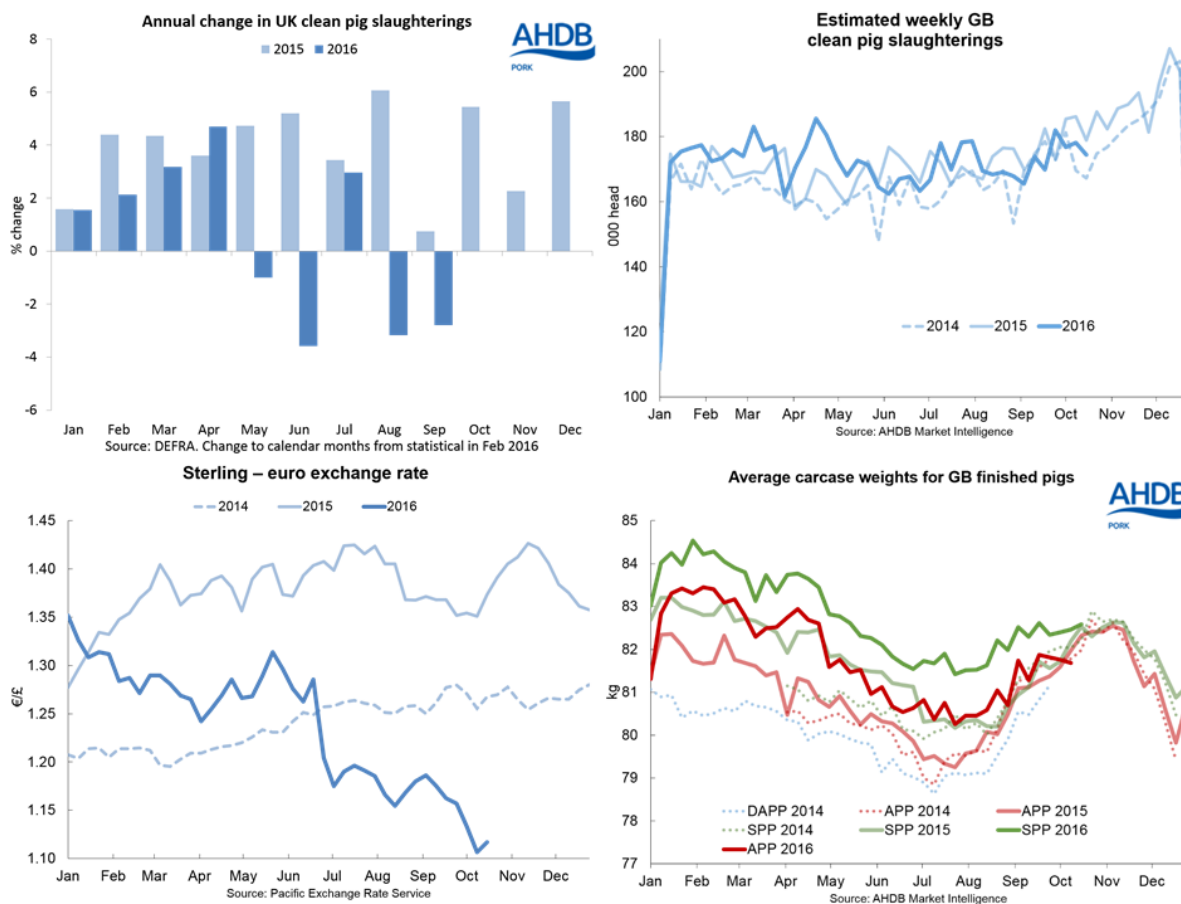


Decreasing prices in Northern Europe have driven the overall drop in EU reference price. German prices have particularly declined, by nearly €14 from the peak three weeks ago. Danish, Belgian, Polish and Dutch prices have also fallen over the past three weeks, although by slightly less. Southern Europe has likewise been affected; the Spanish pig price declined by nearly €7 during the same period, for example.

The UK reference price remains below the EU average but as the latter price has fallen in euro terms over recent weeks this gap has narrowed. Three weeks ago, the difference was over 6p/kg, but the most recent figure for week ended 16 October the gap has now fallen to just under 1p/kg.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

According to the latest figures from Defra, UK clean pig slaughterings were back 3% during September compared to a year earlier, at 910.5 thousand head. This allows for adjustments to the 2015 figure to account for the change in the Defra reporting method starting in February this year. Declining slaughter rates support anecdotal evidence of a tightening of supplies, a situation which is further evidenced by the currently buoyant pig prices.



Despite this, the fall in slaughter number was partially counteracted by increasing average carcass weights; they were up by 1.1kg on the previous month and 1kg on September last year to reach 82.0kg. However, even with this increase, average carcass weight still remained well below the 83kg average seen during the difficult first three months of this year. Sow slaughterings were also reported to be up 1% during September, relative to the adjusted figure a year earlier, to 22,900 head. However, this follows two months of lower slaughterings and, with market prices currently positive, increased optimism amongst producers is likely encouraging maintenance of the breeding herd.

Altogether, the above figures translate into an overall 2% decline in pork production on adjusted year earlier figures during September 2016, at 78.0 thousand tonnes.

UK fresh/frozen pork exports began to increase again in August, at 15,900 tonnes they were up 3%, compared to the previous year. China continues to account for most of the rise, with shipments up 68%. Declines in shipments to Ireland and Germany, of 11% and 7% respectively, were the largest drivers of a fall in exports to the EU during the month. Volumes going to the Netherlands and Denmark also saw declines. These falls are potentially due to UK pig meat production being 2% lower in August, combined with higher volumes going to China, leaving less to be exported to other destinations. The average value of shipments was up during the month, helped by the post-Brexit devaluation of sterling. This meant that

the total value of UK exports in August was up 20% at £20.1 million. The value of exports going to China more than doubled compared to the previous year.

Offal shipments in August were up by 23% year on year at 5,400 tonnes, driven by higher sales to China which accounted for over half of total offal shipments.

Imports of fresh/frozen pork to the UK followed a similar trend to that seen in July, increasing by 31% year on year to 39,900 tonnes. This continues to be driven by a sharp rise in imports from Denmark, which more than doubled compared to the previous year. Reflecting the currently high pork prices and weak pound, the average unit price of imports was up by 15% year on year. This resulted in the overall value of imports rising by 50% to £75.1 million.

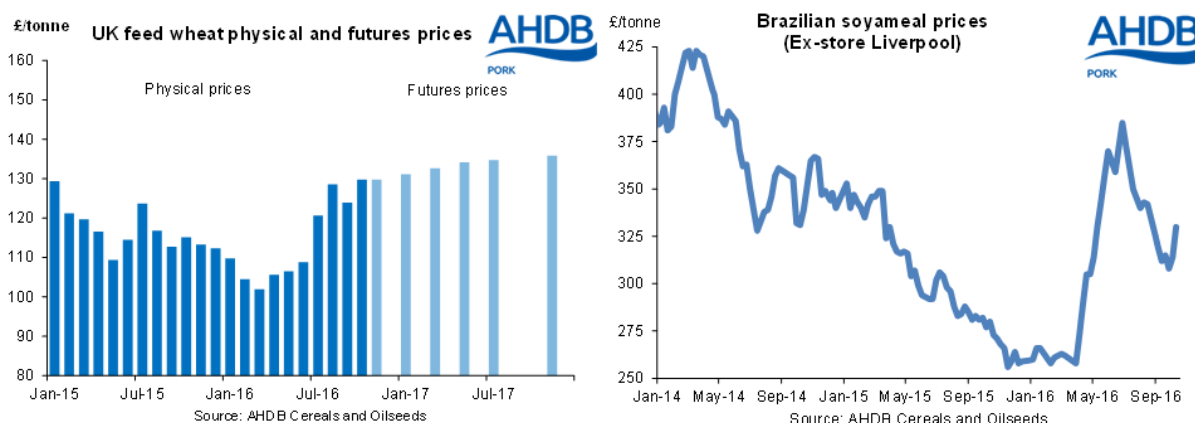
Imports of cured and processed pig meat also increased during the month. As with pork, Danish supplies drove the rise in bacon imports, with other suppliers sending less to the UK during the month. Higher sausage imports were mainly sourced from Germany and Poland, while the increase in other processed products came primarily from Ireland.

FEED MARKET

Over the past month, UK grain markets have risen, fuelled by the significant shifts in currency. Sterling hit historic lows against both the euro and the dollar on 17 October, at £1=€1.1052 and £1=\$1.2150, respectively. Also on 17 October, nearby UK feed wheat futures hit their highest point since December 2014, at £136/t. Further support was added to global wheat futures by boosted export demand for US and EU wheat.

Earlier this month AHDB released its Early Balance Sheets. These first estimates of UK 2016/17 wheat and barley supply and demand indicate tighter supplies than in the previous couple of years. Lower production is largely behind the decrease in availability, with 2016 UK wheat and barley production provisionally down 12% and 10%, respectively.

For wheat, the lower availability is compounded by increased demand, including from millers and bioethanol plants. Additionally, UK animal feed consumption of wheat is forecast to be 379Kt higher than it was last season, partly due to relatively cheaper grain prices compared to other ingredients. As a result, the balance of wheat availability and domestic consumption is 2.75Mt, 51% lower year on year and only above 2013/14 within the past ten years.



Protein prices over the past month have also moved upwards, driven by higher oilseed values and weaker sterling. Hi-pro soyameal (spot, ex-store East Coast) was reported at £314/t on 14 October, up £18/t compared to 23 September.

Oilseed prices tracked the movements of vegetable oil prices. Concerns over the impact of adverse weather on the rapeseed harvest in Canada and on early soyabean planting in South America were also factors. Paris rapeseed futures (Nov-16) increased by €18.25/t over the month (26 September to 18 October) to close at €392/t on 18 October. Similarly Chicago soyabean futures (Nov-16) increased by \$10.01/t to close at \$357.33/t.

UK oilseed rape production in 2016 is estimated at the lowest level since 2004, according to Defra's provisional crop areas. Production from this year's harvest is estimated at 1.77Mt, down from 2015's 2.54Mt and with average yields at 3.1t/ha (3.9t/ha last year).

The lower production will come as little surprise to the industry, after reports of lower than average yields throughout harvest, in addition to the recorded drop in planted area. In Defra's release, they estimate oilseed rape area (both winter and spring) at 0.58Mha, down 11% from 2015.

Potential reasons for the lower than average yields seen this harvest include a high pest pressure, due to the mild winter, short rotations and a dull June which limited seed filling. All of this means that the 2016/17 season is looking tight, with prices already seeing the effect.

CONSUMPTION

Consumer spending on retail pork purchases was down 12%, compared with a year earlier, in the 12 weeks ending 11 September. Prices were down across most major cuts, with the biggest percentage drops coming in loin cuts and shoulders. Despite this, the overall amount sold was down 6% year on year. The volume of pork sold on promotion was lower than a year ago. Within that, there was an increase in temporary price reductions (TPRs), while levels of Y for £X deals, which can be important drivers of volume sales, continue to fall. Switching data shows that people who moved out of pork did so mainly to fresh chicken and also chilled convenience products. However, pork did make gains from frozen chicken during the latest period.

Expenditure on bacon continued to decline, down 9% on the back of a small fall in the amount purchased but mainly due to a drop in average retail prices of 7%. As for pork, the level of promotional activity was down year on year and the mix switching towards TPRs. Value sales of sausages were down 6%, with this again predominantly coming from lower retail prices. The one growth area for sausages continues to be low fat, albeit from a very small base. Sliced cooked meats were down 3% in spend for the 12-week period. Ham was down 4%, with retail prices virtually unchanged but the volume bought down 4%.

The producers' share of retail pork prices has now been rising for six consecutive months, reaching 37% during September. This was 1% up on the previous month, and 2% higher than the same period last year but remains 3% lower than the 40% stake enjoyed by producers during September 2014. The increase in producers share has been assisted by the rising GB pig prices while retail prices have remained more stable.

Trends in retail meat purchases (period ended 11 September 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	-1	-6	-5	+0	-5	-5	+1	-2	-4
Pork	-12	-15	-3	-6	-12	-6	-3	-10	-7
<i>Belly</i>	-13	-12	+1	-1	-7	-7	-4	-6	-2
<i>Chops/Steaks</i>	-5	-16	-11	-5	-13	-9	-3	-11	-8
<i>Leg Roasting Joint</i>	-38	-33	+9	-12	-13	-1	-8	-16	-9
<i>Loin Roasting joint</i>	+29	+16	-10	+9	-5	-13	+3	-8	-11
<i>Shoulder Roasting joint</i>	-24	-31	-10	-15	-25	-11	-4	-15	-12
<i>Marinades</i>	-9	-6	+3	-10	-11	-1	+5	+10	+5
<i>Ribs</i>	-31	-22	+13	-24	-20	+6	-15	-11	+5
<i>Mince</i>	-21	-22	-2	-10	-11	-1	-8	-11	-3
Bacon	-0	-9	-9	-0	-8	-8	-2	-9	-6
Beef	-0	-3	-3	+1	-2	-4	+1	-1	-2
Lamb	-6	-5	+0	-6	-5	+1	-0	+1	+1
Poultry	-0	-4	-4	+1	-4	-4	+2	-1	-3
Processed products									
Pork Sausages	-2	-7	-5	-1	-7	-6	-3	-8	-5
Fresh Pre-packed Pork Pies	-3	+4	+7	-3	-1	+2	+5	+4	-1
Fresh Pre-packed Sausage Rolls	+4	+5	+2	+2	+4	+2	+3	+3	-0
Pork Sliced Cooked Meats	-1	-0	+1	-3	-3	+0	-2	-4	-2
Pork Chilled Ready Meals	-7	-0	+7	+1	+5	+4	+2	+2	+0

Q = quantity purchased, E = expenditure, P = price
Source: Kantar Worldpanel

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