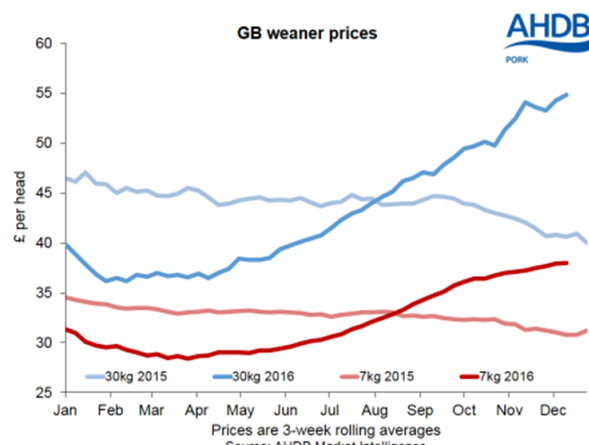
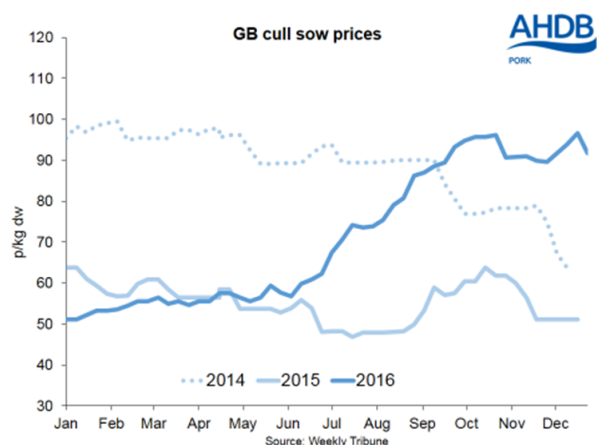
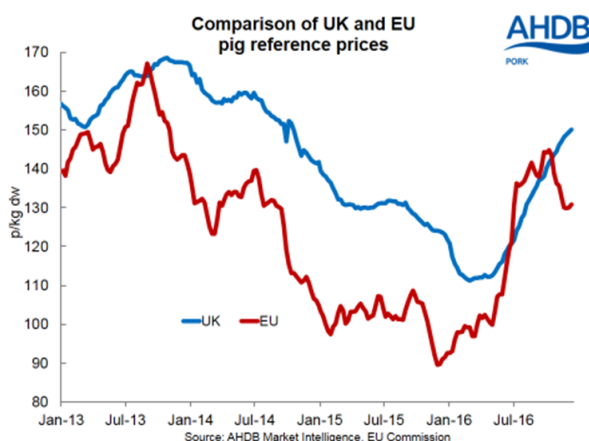
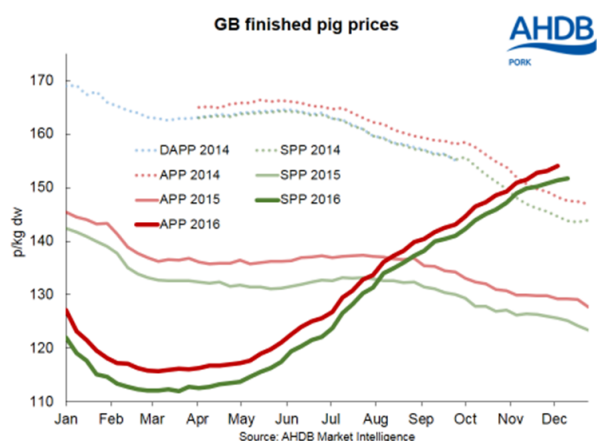


UK PRICES

The upward march of GB pig prices continued in November, with little change in the factors driving the market. The monthly average EU-spec APP of 152.08p/kg was almost 5p higher than the previous month and the highest since October 2014. The average price has now risen for eight straight months, adding over 36p over that period. Although the pound regained some ground against the euro during the month, it remained well below its pre-referendum level. This helped support prices by driving export demand, while pig supplies remained well below last year's level.



A similar movement was seen for the EU-spec SPP, which rose by a fraction over 5p to 149.92p/kg in November. Both prices series continued to increase into December, although the weekly movements were smaller than for much of the year. The SPP had reached 151.66p/kg by week ended 10 December, nearly 27p up on the same point in 2015.

As is usually the case, carcass weights reached a seasonal peak in November. The average weight in the APP sample stood at 82.63kg, around half a kilo up on October's figure and about two-thirds of a kilo more than a year earlier. Weights normally begin to fall from mid-November and, while that has been the case this year, the decline has been smaller than usual. This suggests fewer pigs may have been marketed early in advance of Christmas, possibly because of the tighter supplies this year. It remains to be seen whether this will have an impact on the number, and price, of pigs available post-Christmas.

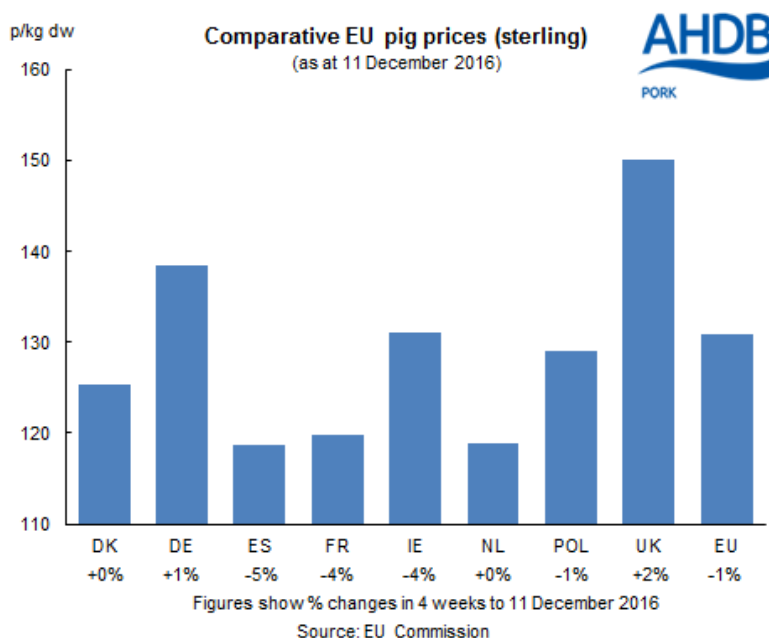
Weaner prices have been following the upward trend of the finished pig market this year and that pattern continued in November. The monthly average price for 7kg weaners rose by less than a pound to

£37.37 per head, around £6 up on a year earlier and the highest monthly figure since September 2014. The 30kg store pig price saw an even bigger jump, rising by over £4 to £53.93 per head, over £12 up year on year and the highest since July 2014. Reports suggest that spot prices for weaners have been particularly high, implying that little upturn in finished pig numbers can be expected in the short-term.

EU PRICES

The declines seen in the EU average pig price since September came to an end in the past four weeks, with a rise of just over €4 to reach €155.12/100kg in the week ended 11 December. However, note that appreciation of the pound against the euro masked this effect in sterling terms. As prices were still falling this time last year, the gap between this year's and last year's prices has widened to over €29. This rise in prices is likely to be due to a seasonal rise in demand in the build up to Christmas, while supplies remain tight. However, with the Christmas procurement period coming to an end, prices could begin to come under more pressure in the coming weeks.

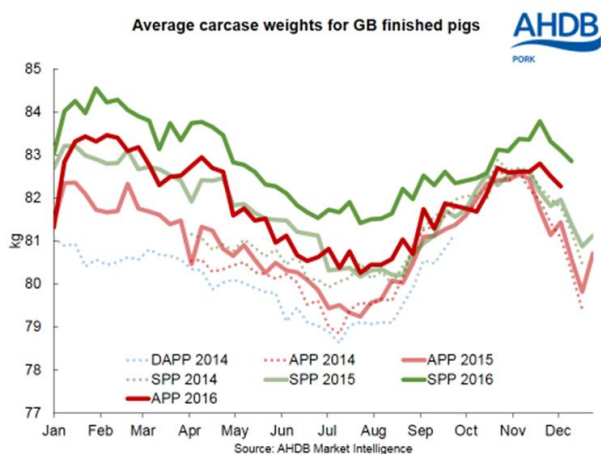
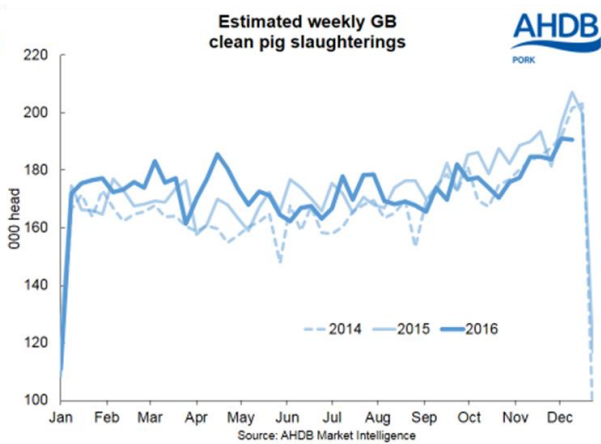
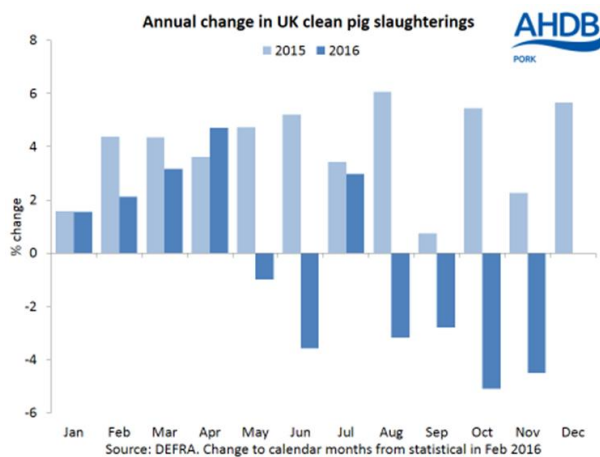
The German reference price saw larger than average increases during this period, up by €8 on four weeks previously. Price rises have also been seen in other major northern producers such as Denmark, the Netherlands and Poland. Prices in Spain strengthened in the most recent week but they remain lower than four weeks previously after earlier falls. French prices were static over the last month.



Prices in the UK have continued to increase in the past four weeks, with some recovery of the pound adding to the rises in euro terms. This has led the UK average reference price to remain above the EU price. In sterling terms, the most recent UK figure was over 19p higher than the EU average price. This is similar to the previous three weeks but otherwise represents the largest price premium since January.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK clean pig slaughterings remained well below last year's level in November, according to the latest figures from Defra. The monthly total of 932,200 head was almost 5% lower than the same month last year, once figures are adjusted for the change in reporting periods introduced earlier this year. This is the largest year-on-year fall recorded so far in 2016, and indeed the largest since mid-2009, but represents the fifth substantial decline in the last six months. This is the legacy of the contraction of the breeding herd driven by low prices a year ago, coupled with some reports of increased disease pressure affecting productivity.



In contrast, sow slaughterings were higher than a year before, after adjustment, by 4% at 22,600 head. However, this follows a sharp fall in October, so shouldn't be interpreted as a significant rise. Having been similar to a year earlier in the previous month, carcass weights returned to the upward trend recorded for most of the year and were around a kilo heavier, on average, than in November 2015, at 82.7kg. This partly offset the lower clean pig numbers but pig meat production was still 3% below last year's level on a like-for-like basis, at 80,400 tonnes.

As has been the case in recent months, pork imports continued to be above year earlier levels during October. At 42.7 thousand tonnes, volumes were up 25% relative to 2015. This was again largely driven by Danish shipments, which the data suggests almost doubled relative on the month last year, while volumes from Germany also rose by 10%. The weakness of the pound and rising unit prices meant the total value of these shipments rose by almost 50% relative to 2015, reaching £83.5 million. The value of all other pig meat products imported was also greater than a year earlier, even though bacon shipments were back on the previous year in volume terms.

The value of UK pork exports was up on the year yet again during October, climbing by 13% to reach £21.4 million. As for the previous month, this increase occurred in spite of declining export volumes, which were down 11% relative to 2015 at 15.5 thousand tonnes. The UK continued to exploit the weaker value of the pound, as higher unit prices in sterling terms were less notable in stronger currencies such as the euro.

A significant 32% decline in shipments to Germany, relative to the month last year, was key to driving the overall fall in export volume. Ireland also took 9% less during this period, while the Netherlands saw a 26% decline in shipments. With UK production 5% behind year earlier levels during October, including an 11% fall in sow slaughterings, limited supplies likely restricted exports to these markets.

Conversely, shipments to China grew again after being static on the year during September. A relatively modest 18% year-on-year increase in exports was seen, despite increasing competition from cheap US and Brazilian product. Similarly, offal shipments showed positive growth again; value was up 65% on October 2015, with growth being driven equally by the Chinese and Hong Kong markets.

Bacon exports were also positive during the month, increasing in volume by 8% and value by 13% relative to the October last year. Shipments to France more than doubled on the year, likely spurred by price competitiveness. However, exports of sausages and other processed pig meats declined relative to last year.

FEED MARKET

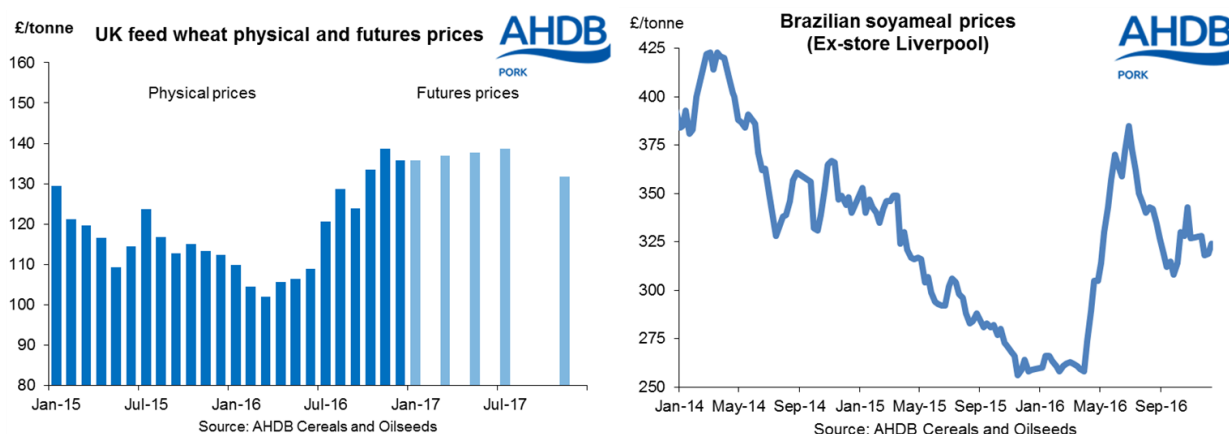
UK feed wheat futures (nearby) have fallen by 2% between 22 November and 16 December on further confirmation of large global availability of wheat. The latest USDA World Agriculture Supply and Demand Estimates (WASDE) forecast record output for both global wheat and maize at 751.3Mt and 1,039.7Mt respectively.

The latest USDA forecast for global wheat production is up 6.5Mt on November's estimate and is largely driven by the record output in Australia (33Mt). Canadian wheat production also added a further bearish element to global wheat futures, forecast at the second highest level on record from the country.

The strengthening of the US dollar in the wake of the US election had a substantial impact on UK grain prices and competitiveness. Looking at the value of UK feed wheat futures (May-17) in dollar terms, prices have fallen by \$2.71/t since 22 November. Meanwhile, Chicago wheat futures (May-17) fell by 4% (\$7.17/t) over the same time period.

The latest animal feed usage statistics released by Defra highlight the increased usage of wheat in animal feed rations between July and October, compared to the same time last year, rising by 4.4%. Furthermore the usage of barley has fallen 10.1% year on year over the same period. Over the same time period, total production of compound animal feed was little changed. However, pig feed output was down by over 8% year on year, with a particularly sharp fall for grower feed. 6% less breeding pig feed was produced.

The drop in barley usage comes despite feed barley prices discounting at a significant level to feed wheat prices. On average through October, UK ex-farm feed wheat prices were almost £19.50/t higher than feed barley prices.



Protein prices have dropped further during the same period, with soyameal (spot, Brazilian 48%, Ex-store Liverpool) falling by almost 3% to £319/t on 9 December. Soyameal tracked the movement of Chicago soyabean futures (May-17), which fell 1% across the month in to close at \$387.37/t on 16 December.

Conversely, Paris rapeseed futures (May-17) recorded a rise of 4% between 22 November and 16 December, to close at €416/t.

Movements in soyabean markets have been largely driven by the increased global supply of soyabeans, with the USDA's WASDE report highlighting a 7% increase in world ending stocks, compared to last year. Two of the main drivers behind the increased availability were revised yield estimates for Canada and India, accounting for a large proportion of the 1.9Mt increase in output, compared to the November forecast.

Further weight was placed on soyabean prices by the optimism surrounding the Brazilian soyabean crop, following news of an earlier start to their anticipated record harvest. Whilst the record crop is not new news in itself, the earlier harvest helps to reduce the risk of any late weather issues hitting the crop.

In the UK, the latest crop development report by ADAS highlighted concerns for the establishment of oilseed rape in the East. Dry seedbeds led to slow emergence of the crop, which was further hampered by the active cabbage stem flea beetle in the area. Meanwhile, crops established well in the West.

UK delivered rapeseed prices (Erith) largely tracked the movements of Paris rapeseed futures over the month, climbing to £359.50/t on 16 December. The rise in the price of UK delivered rapeseed reduced the premium over EU delivered prices (Hamburg), which had previously incentivised increased imports of rapeseed from the EU. With the premium reducing, UK imports of rapeseed fell back below exports in October.

CONSUMPTION

The amounts of bacon and sausages purchased from retailers in the 12 weeks to 6 November were higher than a year before but pork sales were still depressed. These were among the results of the latest data from Kantar Worldpanel.

The amount spent on fresh/frozen pork during the period was down 14% year on year, continuing the declining trend of recent months. The amount sold fell by 9%, compared with the same period last year, despite prices being 5% lower. All pork cuts were affected to a greater or lesser extent. Pork volumes were affected by consumers switching to chicken and beef, both of which sold in increased volumes during the period. Lower prices continue to be apparent across the meat sector, with the exception of lamb, which also lost out compared with 2015.

Although volume sales of bacon and sausages were up on a year before, lower prices meant that spending on these categories was also down. A 9% drop in bacon prices meant a fall in spend, despite a 3% growth in the amount purchased. A smaller discount for sausages was enough to turn the 1% volume increase into a 3% value decline. Sales growth accelerated for both bacon and sausages in the latest four weeks. Purchases of sliced cooked meats, mainly ham, were little changed in either volume, value or price.

The producer share of retail pork prices increased once again in November, by 1 percentage point on the month, to 40%. This is the largest share received since July 2014 and is six points higher than a year ago. Retail prices fell slightly (-0.6%) on the month in November and were similar to the same point in 2015, meaning that further increases in GB pig prices were responsible for the increase in producers' share.

Trends in retail meat purchases (period ended 06 November 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	-1	-5	+1	-4	-5	+2	-3	-4
Pork	-9	-13	-4	-9	-14	-5	-4	-10	-7
<i>Belly</i>	-8	-13	-6	-8	-13	-5	-4	-8	-3
<i>Chops/Steaks</i>	-10	-19	-9	-6	-15	-10	-2	-11	-9
<i>Leg Roasting Joint</i>	+9	+15	+6	-10	-7	+3	-6	-12	-7
<i>Loin Roasting joint</i>	-14	-11	+3	-4	-9	-5	-0	-10	-10
<i>Shoulder Roasting joint</i>	-21	-26	-6	-20	-23	-4	-4	-14	-10
<i>Marinades</i>	-32	-29	+3	-21	-19	+2	-3	+0	+4
<i>Ribs</i>	-2	-3	-1	-19	-13	+7	-16	-12	+5
<i>Mince</i>	+4	+6	+2	-5	-9	-4	-8	-11	-3
Bacon	+5	-3	-8	+3	-6	-9	-1	-8	-7
Beef	+8	+4	-4	+3	-2	-4	+1	-1	-2
Lamb	-7	-5	+2	-11	-9	+2	-3	-2	+1
Poultry	+9	+2	-6	+4	-2	-5	+2	-1	-3
Processed products									
Pork Sausages	+4	+1	-2	+1	-3	-4	-2	-7	-5
Fresh Pre-packed Pork Pies	+0	+4	+4	-5	+1	+6	+4	+3	-1
Fresh Pre-packed Sausage Rolls	-2	+4	+6	+1	+3	+3	+2	+3	+1
Pork Sliced Cooked Meats	-0	+1	+1	-1	-0	+0	-2	-4	-1
Pork Chilled Ready Meals	+0	+8	+8	-3	+3	+6	+2	+3	+2

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

This pig meat sector UK market update was prepared by:

Bethan Wilkins and Stephen Howarth, AHDB Market Intelligence

Phone: +44 (0)24 7647 8757/8856

e-mail: Bethan.Wilkins@ahdb.org.uk, Stephen.Howarth@ahdb.org.uk

Twitter: @AHDB_Pork #PorkMarketNews

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