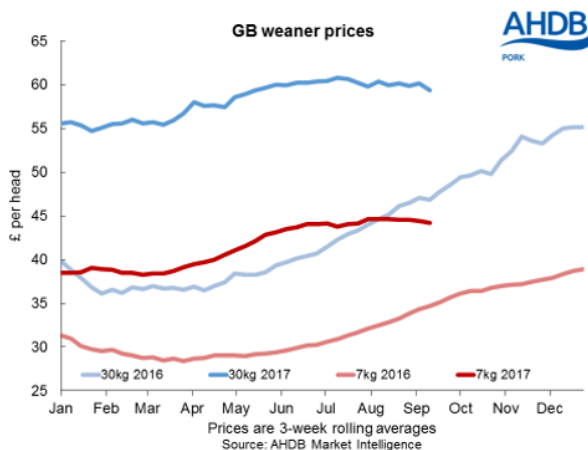
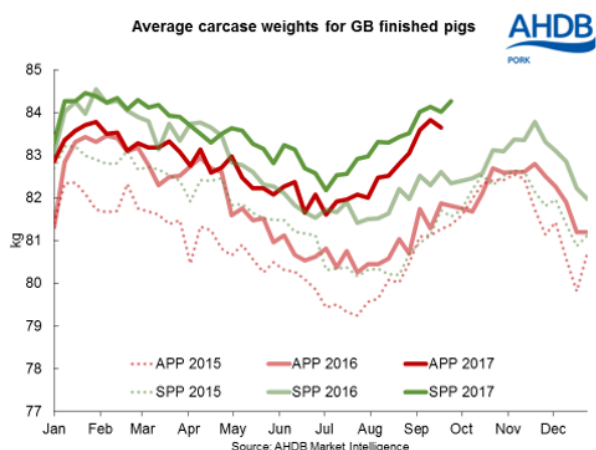
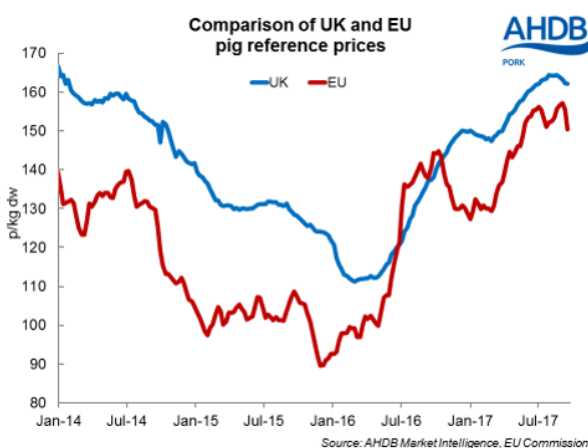
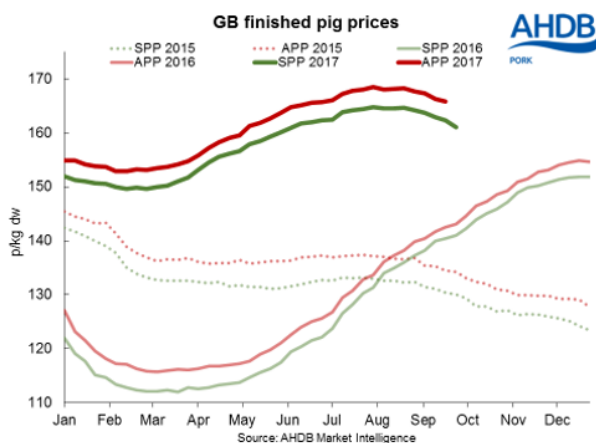


October 2017

UK PRICES

GB pig prices held quite steady throughout August, with the monthly average EU-spec APP losing 0.08p compared to the previous month, to reach 167.82p/kg, putting an end to five months of price rises. The SPP also fell in August, by the same amount month-on-month to average at 164.28p/kg. The gap therefore between the APP and the SPP remained at 3.54p. The latest SPP, for week ended 23 September, has fallen to 161.04p/kg, which is still 20p higher than a year earlier.



The average carcass weight rose during August, continuing the trend seen in July. The APP averaged 82.99kg during the month, which was 2.3kg higher than August 2016. Weights have continued to increase moving into September, with the latest figure for week ended 16 September standing at 83.64kg, 1.77kg heavier than year earlier levels.

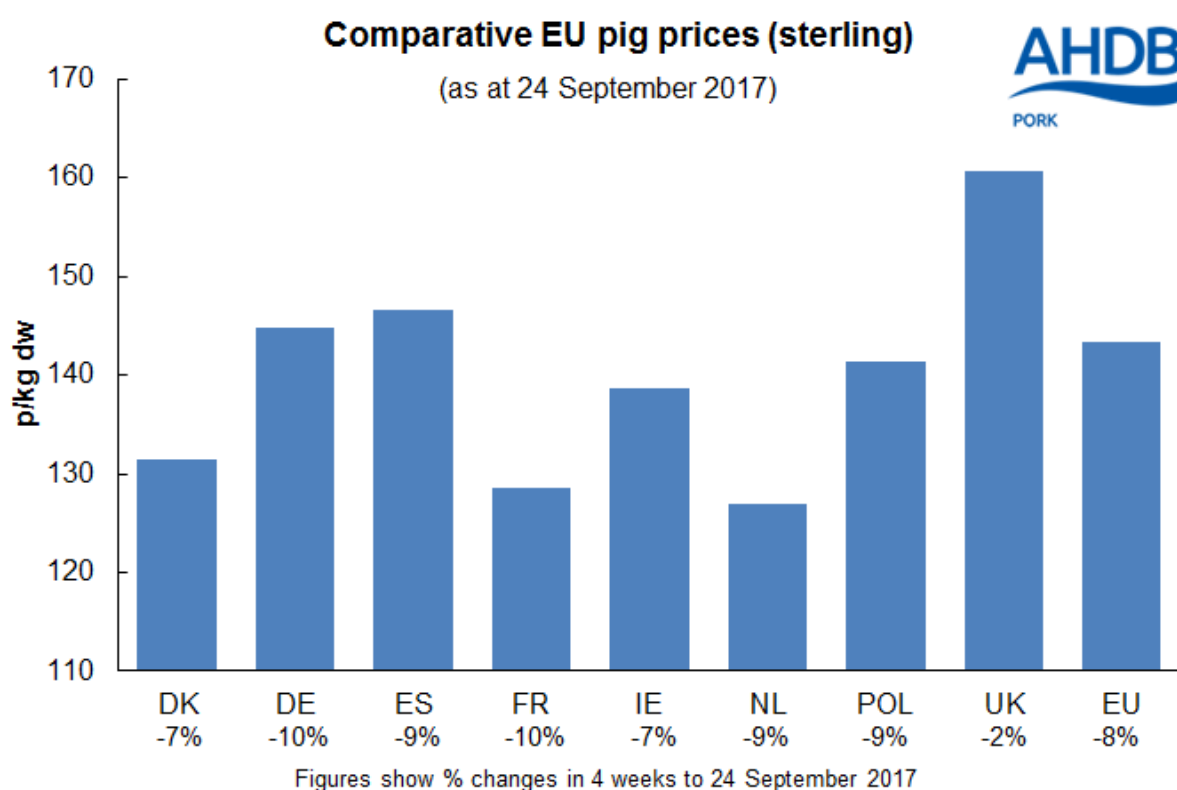
The GB weaner market followed showed some variation trends, with a 29p increase recorded for 7kg weaners but a 44p decrease for 30kg animals, standing at £44.55/head and £60.08/head respectively. Weekly prices have fallen somewhat moving into September, following prices for finished pigs, but remain higher than year earlier levels for both categories.

## EU PRICES

In the four weeks ending 24 September the EU reference price fell by €7.64 to €162.82/100kg. The EU reference price began a general downwards movement in week ending 9 July and now stands €5.23 below the same week last year.

EU pig prices normally level off over the summer holiday period before declining in autumn, as production often picks up in the latter quarter of the year. The decline has begun a little earlier than expected this year and is attributed by some industry reports to a drop in demand, and unusually high numbers of pigs coming forwards. Demand for pork exports outside of the EU is also down.

Looking at individual countries, many of the key EU markets have recorded price falls over the past four weeks. Germany recorded a price fall of €10.06, to €164.47/100 kg. Industry reports from Germany suggest that pigs are coming forward in such numbers that abattoirs are working at maximum capacity. The Netherlands and Spain both also recorded falls in price of €8.40 and €9.61 respectively. Denmark recorded a smaller fall of €4.23.



*Source: EU Commission*

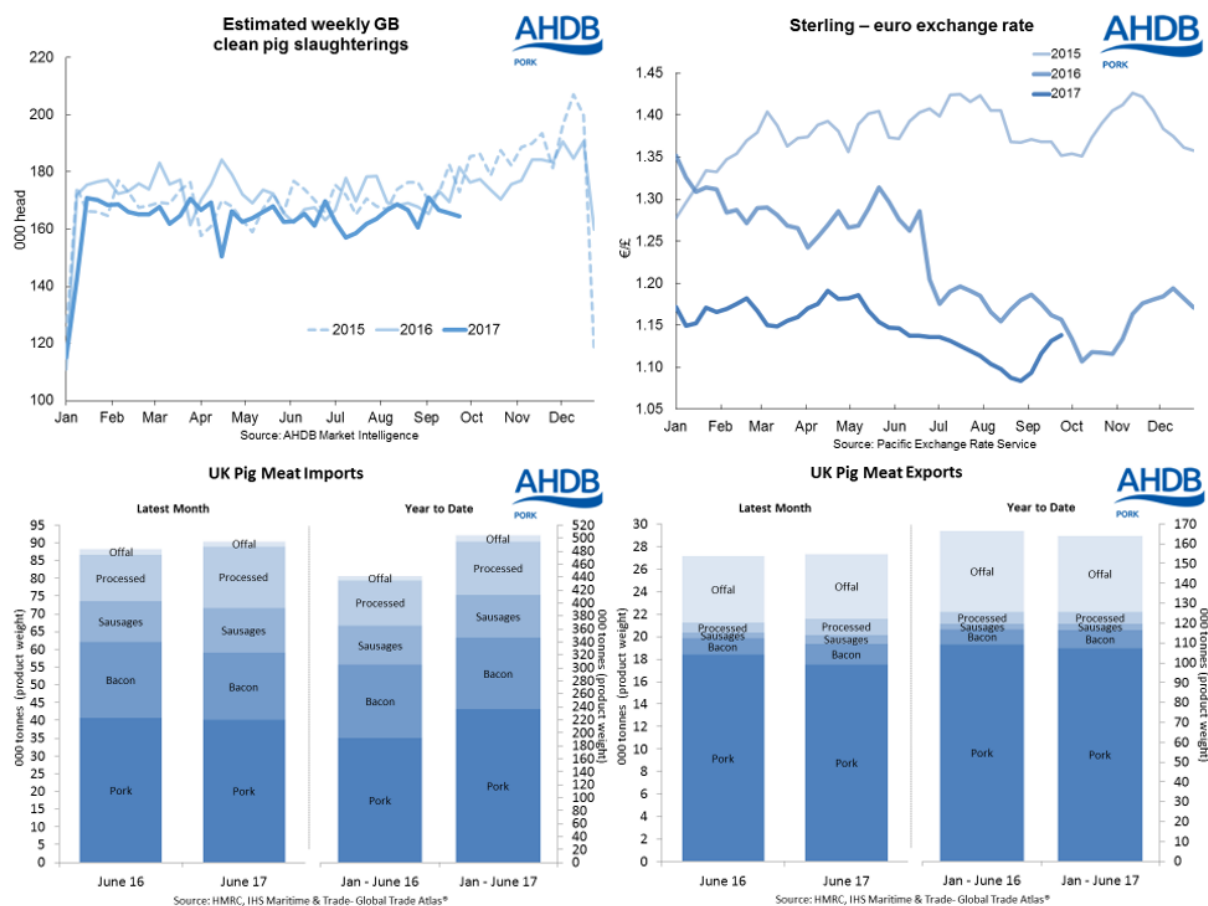
The UK price in euros bucked the trend and reported a gain of €3.98 to €182.53/100 kg in the most recent 4-week period, assisted by the strengthening pound. Compared to the same week last year this is €21.85 higher. However, in sterling terms, the UK reference price did fall by 3.2p/kg in the four weeks to 24 September. When looking at the prices in sterling, the UK price is still £17.36 above the EU reference price at £160.70/100 kg. With prices across the EU facing pressure this may lead to further price falls over the coming weeks in the UK, especially if demand both domestically and abroad remains weak.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

At 895.5 thousand head, UK clean pig slaughterings were down just 0.2% on year earlier values in August, according to the latest data from Defra. This takes year to date (January – August) throughputs up to 6.8 million head, 3% lower than in the equivalent period of 2016.

As in recent months, the fall in clean pig slaughterings on the year reflects the industry sentiment that domestic pig meat supplies are tight. However, considering that August declines are smaller than previously observed, this may tentatively support the assumption that the UK pig herd would recover during second half of 2017 following declines in the domestic breeding herd last year.

Sow slaughterings in August increased year on year for the first time since December 2016. At 21.1 thousand head, sow throughputs are 8% higher than in August 2016 and bring year to date sow slaughterings to 155.9 thousand head; 9% lower year on year.



Average clean pig slaughter weights increased for the second consecutive month to 82.9kg, recovering on falls since a peak in February. The current weight is almost 3% (2.1kg) higher than the same month last year. Hence, despite the slight fall in number of clean pigs slaughtered, the increase in average weights resulted in UK pig meat production rising by over 2% on the year in August, to 77.2 thousand tonnes. This takes year to date pig meat production up to 585.2 thousand tonnes, a 2% decline on the same period in 2016.

Following year on year declines in June, UK exports of fresh/frozen pork in July pushed ahead of year earlier levels to stand at 17.6 thousand tonnes, an increase of 20% on July 2016. The rise in volumes

shipped combined with a 4% inflation in the average unit price led to the value of UK exports climbing by nearly 25% on the year, to £23.8 million.

Notably, in July, the volume of fresh/frozen pork shipped to Denmark increased by 408% to 2.9 thousand tonnes, which was the major contributor to the overall increase. However, the effects of this change are less prominent than they may appear, as levels returned to those previously recorded for the month before a drop in July 2016. Exports of pork to Ireland and the Netherlands declined by 16% and 5% respectively on the year. However, shipments to Germany increased by 5% year on year, possibly indicating recovery from declines earlier in the year, which were experienced as a result of lower sow slaughterings in the UK.

Shipments to the UK's largest market China, also increased on the year in July by 7%, to 3.4 thousand tonnes. This is encouraging considering Chinese import demand has steadied somewhat and suggests that demand for UK pork products in China may be relatively stable for now. Furthermore, trade with other Asian markets also increased on the year in July, with exports of pork to Hong Kong, the Philippines, Japan, Singapore and South Korea all growing.

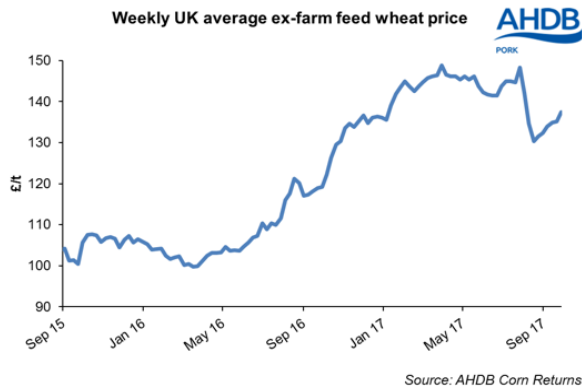
Offal exports rose by 30% year on year in July to 6.2 thousand tonnes, predominantly as a result of increased shipments to China (+5%) and Hong Kong (+24%), which together account for almost 59% of UK offal exports.

UK imports of fresh/frozen pork products fell by 1% on the year in July, to 36.3 thousand tonnes. The driving factor in this decline was a 12% decrease in Danish shipments, which account for 38% of UK fresh/frozen pork imports. Bacon imports declined by 13% in July compared to year earlier levels, which as in previous months, is partially attributed to falls in shipments from Germany and Denmark. In conjunction with this, imports from the Netherlands increased 21%; making them the UK's most predominant bacon supplier in July.

## **FEED MARKET**

Over the last month, domestic and global wheat prices have seen a modest rise. In the UK market, from 25 August to 22 September, Nov-17 feed wheat futures gained £1.60/t to settle at £141.20/t, while Paris Dec-17 wheat rose €3.75/t, closing at €164.75/t on 22 September. Chicago Dec-17 wheat futures gained \$5.24/t between 25 August and 22 September, closing at \$165.15/t. Over the same time period, Chicago Dec-17 maize futures saw no overall movement, closing at \$137.80/t on 22 September. Prices for the contract closed within a range of \$9/t over the period. With US maize harvest only just underway (11% cut as at 24 September), markets are waiting for yield results, following mixed reports throughout the year.

Paris Nov-17 maize futures fell by €4.75/t since 25 August, closing at €155/t on 22 September. The latest forecasts from Cocere (the European association representing the trade in cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats and agrosupply) suggested a 9% year on year increase in French maize production, at 13Mt in 2017/18. In the latest World Agricultural Supply and Demand Estimates (WASDE) report from the USDA, Russian wheat production was estimated at 81Mt and exports were forecast at 32.5Mt, up 4.7Mt year on year. Despite these bearish supply fundamentals, Russian wheat is securing export demand, for example from Egypt, helping to support Russian prices somewhat. Meanwhile there have been concerns over heavy rain effecting the wheat harvest in South America and unfavourable conditions in Australia and Canada.



Domestic supplies of wheat have been estimated to be tight for 2017/18. On 31 August, Defra published estimated cereal stocks held on farms in England and Wales and by Merchants, Ports and Coops in the UK at the end of June. The survey findings revealed that wheat stocks fell to the lowest level since June 2014, a 48% reduction on the year. Additionally, barley stocks were estimated to be 33% lower than in late June 2016 and the lowest since June 2013. Global oilseeds market performance has been mixed over the past month, with Chicago soybean prices seeing largely steady increases whilst Paris rapeseed has displayed some volatility but has fallen overall over the same period.

Predicted 2017/18 US soyabean production in the latest USDA WASDE is up 1.4Mt on last month's estimates, to 120.6Mt. This is due to an anticipated increase in yields from 3.32t/ha in August, to 3.36t/ha. The latest projected estimate regarding US production in 2017/18 is up 2.9% from the current estimates for 2016/17. Estimated US stocks to use (STU, ending stocks as a proportion of total demand) for 2016/17 is 17% with the projected figure for 2017/18 growing further to 23%.

## CONSUMPTION

In the 12 weeks ended 13 August, volumes of fresh and frozen pork sold decreased by 5% year-on-year, according to data provided by Kantar Worldpanel. However, average retail prices increased by 9% on the year, leading to a 4% rise in total spend on primary pork products during the period. This increase in spend may indicate that demand for pork products is relatively stable, with consumers willing to pay increasing sums for lower quantities of meat.

Volume sales of roasting joints fell once again on the year in the 12 weeks ended 13 August. As noted previously, this may be partially attributed to price inflation and a reduction in retailer promotional activity. In particular, the volume of shoulder roasting joints sold decreased by 15% year on year.

Sliced cooked meat remained one of few pork products to decrease in price year on year, albeit marginally (-0.4%). However, a rise in volumes sold (4%) led to total spend increasing by 3% on the year during the period. Despite a price growth of 1%, bacon remained fairly constant, with sales rising by nearly 1%, leading to total spend increasing by almost 2% year-on-year.

Against widespread red meat price inflation, pork mince bucked the trend by falling 7% in average price. Nonetheless, a 26% increase in volumes sold led to total spend increasing by 18% on the year. This may be attributed to customers switching from higher priced beef mince, with the price difference between the two products increasing to £1.25/kg during the period.

The picture for other meats was mixed. The average price of primary beef products increased 3% year on year in the 12 weeks ending 13 August, while the volume purchased and total spend

decreased by 4% and 0.5% respectively. For primary lamb, the volume sold during the period fell by nearly 10% on the year, with total spend declining by 7%. Conversely, the volume of poultry products sold during the period increased by 3% leading to a 2% rise in total spend. Average retail prices for poultry resided at slightly (-0.4%) lower than year earlier levels during the period, and within the context of rising red meat prices, is likely contributing to poultry's ever growing popularity.

#### Trends in retail meat purchases (period ended 13 August 2017)

	4 weeks 2017/2016			12 weeks 2017/2016			52 weeks 2017/2016		
	Q	E	P	Q	E	P	Q	E	P
	% change compared with a year earlier								
<b>Fresh and Frozen Meat, Poultry and Bacon</b>	<b>+4</b>	<b>+4</b>	<b>+0</b>	<b>-1</b>	<b>+1</b>	<b>+2</b>	<b>+1</b>	<b>-1</b>	<b>-2</b>
Pork	+2	+9	+7	-5	+4	+9	-4	-3	+1
<i>Belly</i>	-6	+15	+22	-7	+12	+20	+1	+0	-1
<i>Chops/Steaks</i>	+3	+4	+1	-7	-4	+4	-2	-5	-3
<i>Leg Roasting Joint</i>	+10	+24	+13	-12	+1	+15	-5	+3	+9
<i>Loin Roasting joint</i>	+2	+24	+21	-6	+10	+17	-7	-0	+7
<i>Shoulder Roasting joint</i>	-5	+8	+14	-15	-5	+11	-18	-16	+3
<i>Marinades</i>	-8	-3	+6	+7	+15	+8	-11	-9	+3
<i>Ribs</i>	+10	+10	+0	+11	+13	+2	-3	-1	+2
<i>Mince</i>	+13	+4	-8	+26	+18	-7	+18	+12	-6
Bacon	+6	+6	+0	+1	+2	+1	+2	-1	-3
Beef	+3	+4	+1	-4	-0	+3	+1	+1	-1
Lamb	-6	-2	+3	-10	-7	+4	-11	-7	+5
Poultry	+4	+2	-2	+3	+2	-0	+4	+1	-3
<b>Processed products</b>									
Pork Sausages	-3	+1	+4	-2	+3	+5	+1	+1	-0
Fresh Pre-packed Pork Pies	-5	-4	+1	+7	+9	+2	-1	+4	+6
Fresh Pre-packed Sausage Rolls	-13	-9	+5	-2	+1	+3	-1	+5	+6
Pork Sliced Cooked Meats	-0	-1	-1	+4	+3	-0	+2	+2	-1
Pork Chilled Ready Meals	+11	+12	+1	+1	+5	+4	+2	+8	+5

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

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