



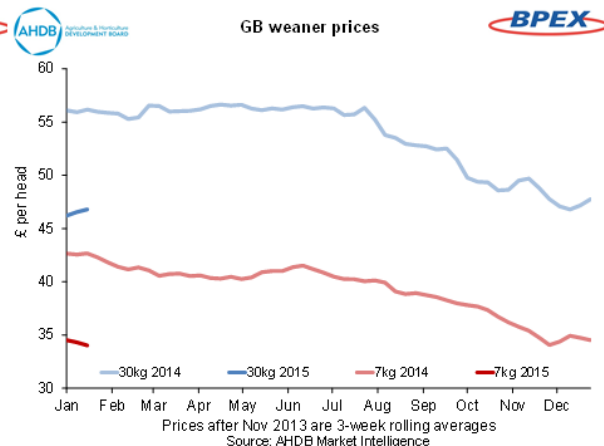
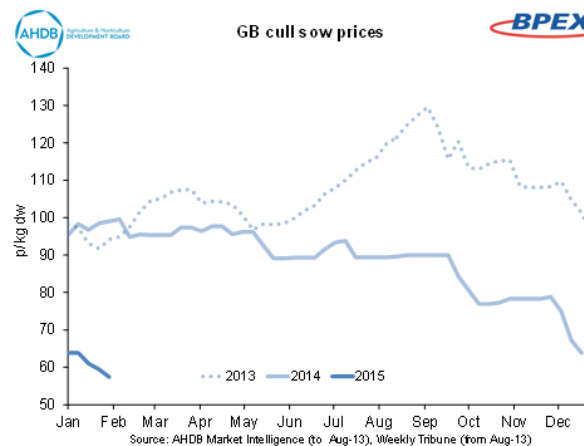
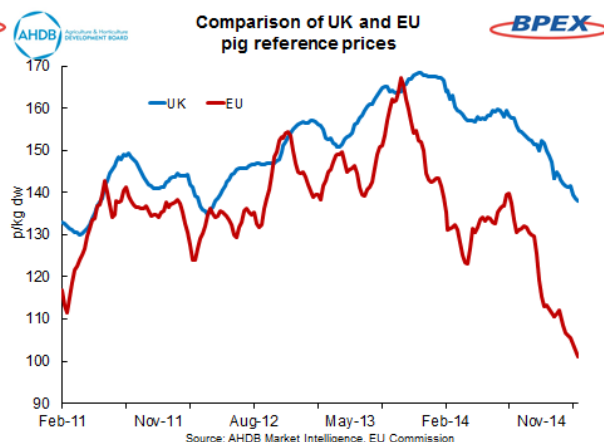
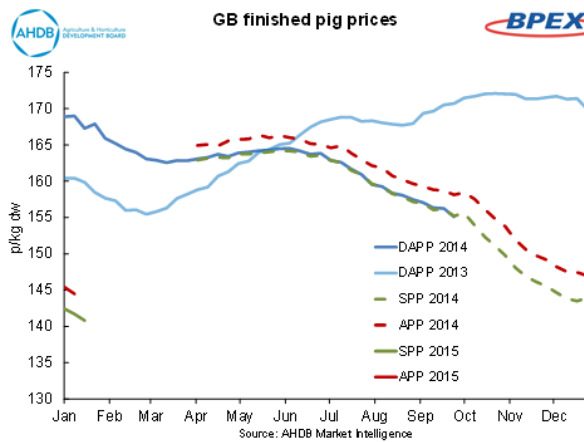
## United Kingdom Pig Meat Market Update

February 2015

### UK PRICES

December 2014 did not bring any change in the trend of the year for finished pig prices. The EU-spec GB SPP averaged 143.98p per kg, down 2.66p on the month. Compared to the DAPP in December 2013, this is a fall of 27p and edging towards a 20p drop since the SPP began recording in April. However, the last week of 2014 saw a price increase of almost half a penny, the first increase in over 2 months, suggesting firmer demand than anticipated immediately before Christmas. In the New Year, though, the SPP returned to a declining trend and fell 4p in the first four weeks of 2015, to 139.90p per kg for the week ended 24 January.

The average EU-spec GB APP for December was 147.63p per kg. At 2.72p back on November, this marginally reduced the gap between the SPP and the APP to 3.65p. This is the second largest spread since the two price series began, indicating that the market for premium pigs has been slightly less subdued during the autumn.

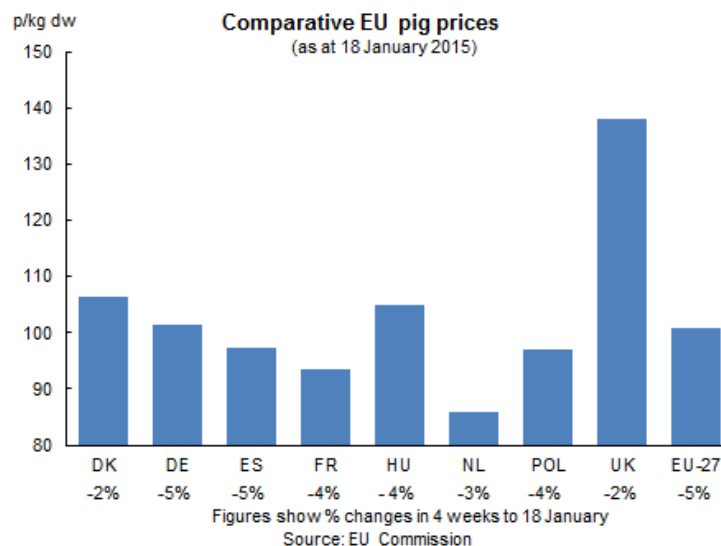


December's average APP carcass weight fell to 80.28kg. Although this is the lowest weight since August, it is still well above the weight recorded for December 2013 in the DAPP sample. In part, heavy carcasses have been achieved by continued reasonable feed costs and this have been achieved alongside condition being maintained, producing average probe measurements of 11.4mm, as producers are still hitting market specifications. The slight fall of weights in December is normal as producers market pigs early ahead of the festive period. In January, weights appear to be increasing again as production returns to normal.

Average 30kg weaner prices dropped £2 on the month in December to £47 per head. This was both the lowest monthly average price for 2014 and a reduction for the producer of over £9 a head on December 2013. The price of 7kg weaners also continued on its downwards trend in December, averaging £34.69 a head. Whilst only slightly down on the month, this was over £8 a head back on a year earlier. Both weaner categories have dropped further in price into the New Year, as the decline in finished pig prices means that the market remains uncertain for the spring.

## EU PRICES

The close of the year did not bring good news for European pig producers, with continual price drops seen in most of 2014, concluding at an average €135 per 100kg dw during the 4 weeks ending 28 December. This is about €25 less than in the first month of the year. Pressure has been kept on the market by disease issues, the Russian ban and, latterly, ample supplies. Average prices did recover a little from April to July, in part as opportunities arose while US exports were limited by PEDv losses and markets expanded in Asia. However, this was short lived, with prices consistently falling week on week from July onwards, leading to 2014 prices persistently tracking below 2013. The New Year has brought no change, with prices averaging below €131 per 100kg in the week ended 18 January, down €28 on this week last year.

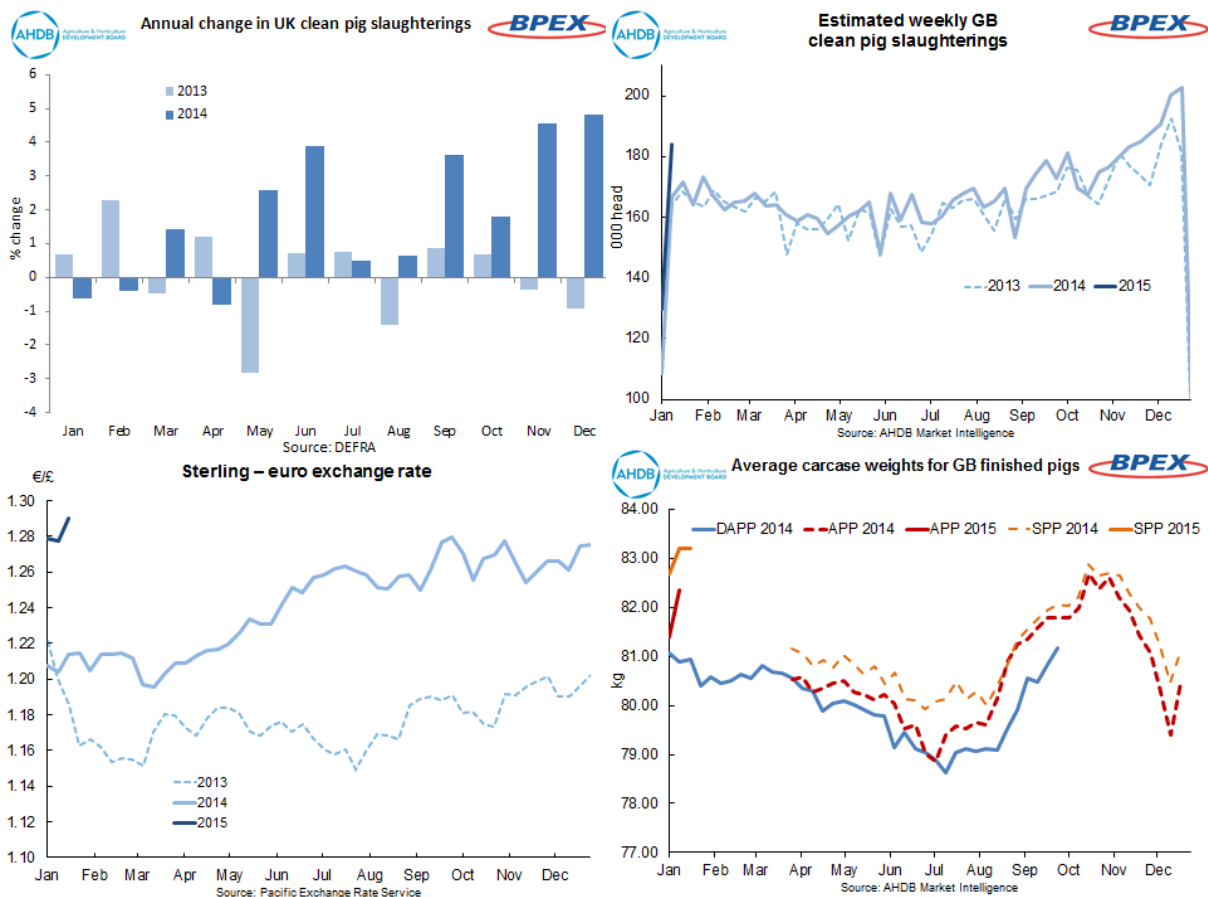


Key producing countries have played a large role in driving the decline; many have dropped around €10 in the last 2 months, including the UK. German prices ended 2014 at €135 per 100kg, €22 lower than a year earlier, and fell again in the New Year. Danish, Belgian and Dutch prices have shown similar movements over the previous 12 months but prices have been stable in the former in the early weeks of 2015. As the euro weakens in the New Year, this is likely to be enough to push the EU average price below £1/kg in sterling terms for the first time since early 2008.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

Latest figures from Defra confirm that UK pigs were in plentiful supply during December. Clean pig slaughterings were 5% higher than a year earlier during the month, totalling 795,800 head. This indicates that productivity continues to improve and that growing conditions have been favourable. The figures also suggest that, as suspected, the UK breeding herd has probably been more stable than was indicated by the decline recorded in Defra's June survey results. The new figures mean that the total clean pig kill for the year was 10.22 million head, 2% up on 2013 and the highest level since 2002.

Throughout the second half of last year, adult sow and boar slaughterings have been below year earlier levels and this continued in December, with throughputs down 3% at 15,500 head. This meant that, at 242,600 head, 4% fewer adult pigs were culled in 2014 than the previous year. This made little difference to pig meat production, which was up 6% in December and 3% for the year as a whole. December's figure of 66,400 tonnes was the highest for this time of year since 1999, while the annual total of 862,000 tonnes was last exceeded in 2000.



UK imports of pig meat were again lower than a year earlier in November, despite prices being well above those of the EU. Fresh and frozen pork shipments were down 5% year on year, at 31,400 tonnes, their lowest level in November for six years. The decline was mainly due to reduced volumes from Germany and the Netherlands, although more Danish pork reached the UK. Unit prices were 15% lower than a year earlier, a similar scale to the decline in EU pig prices.

Bacon and ham imports also declined, with 10% less entering the UK in November than a year earlier. All three of the major suppliers experienced declines, despite prices also being down by around 15%.

Sausage imports were up slightly but this is compared with an unusually low figure in November 2013 and volumes were 11% down on two years before. Imports of processed products such as cooked hams were virtually unchanged from last year.

UK pork exports during November were 16% down on the same month in 2013. This was largely due to some temporary disruptions which were quickly resolved, with trade returning to normal by the end of the month. These affected volumes to most of the major recipients of UK pork, although the sow meat trade to Germany was unaffected and shipments were similar to a year before. With unit prices also significantly lower, the value of pork exports during the month was nearly a quarter lower than in November 2013, totalling £16.2 million.

The impact of any disruption on the offal trade was less apparent, with exports virtually identical to November 2013 at 3,400 tonnes. With prices higher, the value of this trade during the month was up 18% year on year at £3.3 million.

## **FEED MARKET**

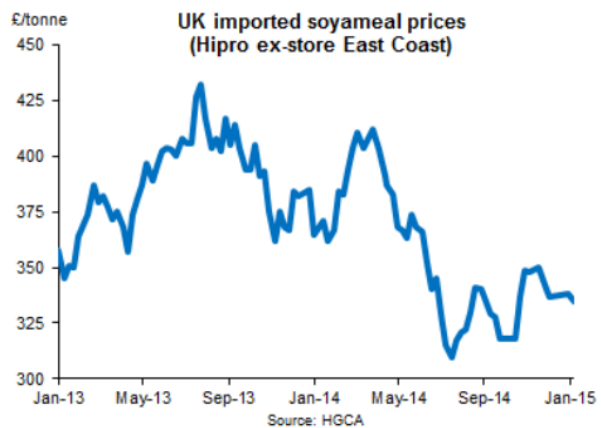
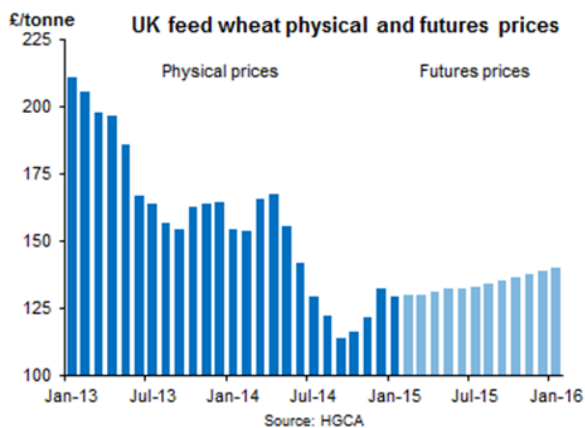
May-15 UK feed wheat futures closed at £131.30/t on Wednesday 21 January, a drop of £4.70 since the start of the month and £7.70 lower than 22 December. In the run up to Christmas, prices peaked at £140.75/t, in response to market concerns about restrictions to Russian exports. However, prices have been on a downward trend during January. As of 1 February, Russia will impose export duties, although it has not been disclosed how long they will last. A 15% export duty plus €7.50/t will be introduced on wheat, or at least a €35/t duty. Tougher quality checks and administrative delays are reported to be further complicating Russian exports.

The USDA's January update of agricultural supply and demand estimates reaffirmed large global supplies. This helped to bring market attention back to the headline bearish conditions of this season, after some time focusing on geopolitical issues and early threats of potential winter kill for US winter wheat crops.

Defra's latest animal feed statistics for November, showed a 20% drop in barley used in GB compound feed production compared with a year earlier. The data also show the cereal incorporation rate declined again to 41.2%, compared with 41.9% in October, and down from a record 43.4% in September. This decline in the usage of cereals perhaps reflects the gains in grain prices between September and November, compared with relatively smaller movements in oilmeal prices over the same period.

UK trade data for November showed higher maize imports than expected. The latest HMRC data suggest that maize continues to be a popular grain for use in UK animal feed. A total of 231Kt was imported in November, bringing the season to date imports up to 717Kt, compared with 738Kt at the same point last year. With such large quantities of feed wheat available this year, this increases the reliance on exports of wheat/barley to avoid stock build up come the end of the season.

During the last week, the value of the euro has plunged, with the currency hitting a 10 year low against the US dollar and at its lowest level against the pound since March 2008. A weaker euro means that UK prices need to fall relative to EU values to remain competitive. Given most of the UK's trade is with the Eurozone, this is likely to weigh on UK prices.



US soyabean prices have been in decline for most of January, with May-15 Chicago soyabeans closing at \$363.54/t on 20 January, \$9.28 lower than at the start of January. However, during the same period, May-15 Paris rapeseed futures have risen by €8.75, closing at €354.50/t on 21 January.

Although the fundamentals are now back in focus, currency movements continue to be a strong influence. European rapeseed values were somewhat insulated from the falls in US soyabean markets by the weakness in the euro. As well as currency movements, forecasts for a smaller 2015 EU rapeseed area are reportedly a contributing factor, as well as short-term tightness in EU supplies caused by reports of reserved farmer selling.

UK delivered values initially followed the recent EU price trends, rising to £277/t (spot delivery, Erith) by 9 January. However, recent declines in Paris rapeseed futures have led to steeper falls in UK prices due to the weak euro, with spot prices for Erith delivery down to £270/t on 16 January. Rapemeal (34%, Ex-mill Erith, January delivery) is currently £197/t, up by £11 from the middle of December. Hi-Pro soyameal (Ex-store, East Coast, January delivery), was £319/t on 16 January, down £19 on the mid-December price.

With planting of 2014/15 South American soyabean crops now largely complete, crop conditions in Brazil and Argentina are a focus of market attention. Weather conditions are generally supportive of crop development but under increasing scrutiny.

## CONSUMPTION

For the 4 weeks ending 4 January 2015, which included the Christmas period, shoppers spent 1% less on meat products than in the same period of the previous year, according to Kantar Worldpanel. The overall volume of meats purchased was similar to a year earlier, so price decreases and festive promotions are accountable for the decrease in value. Pork purchases dropped by 1% during the period, despite prices being substantially lower than a year before. As a result, consumer spending on pork was 8% down year on year. This continues the pattern seen through the last 12 weeks of the year, with both purchases and prices lower.

Over the Christmas period, pork shoulders for roasting increased sales in volume terms by 11%, encouraged by a 16% drop in price. Shoulders were preferred over leg and loin roasting joints, which both reported sales down 10% on the year, partly because they were more heavily promoted last year. Chops also reversed recent declines, with purchases up 7% on the year during the festive period, although spending was down 4% due to lower prices. Looking at the extended period covering the 12 weeks ending 4 January, belly, leg and shoulder roasting joints, ribs and marinades

were the main pork cuts experiencing increased volume sales but spending was down for all but the last two categories.

Bacon purchases also decreased during the festive period, by 3%, possibly due to increased prices, which were 5% higher than a year before, reducing its appeal to the consumer. More processed pork products were purchased in this four week period, however, notably including 3% more sausages, as well as increased sales of sausage rolls and pork ready meals. The prices of these products were all reduced, although the value of sausage sales did increase by 2%. Sliced cooked meats, including ham, recorded lower sales, while prices were little changed from last year.

### Trends in retail meat purchases (period ended 04 January 2015)

	4 weeks 2015/14			12 weeks 2015/14			52 weeks 2015/14		
	Q	E	P	Q	E	P	Q	E	P
<b>% change compared with a year earlier</b>									
<b>Fresh and Frozen Meat, Poultry and Bacon</b>	<b>-0</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>	<b>-3</b>	<b>-0</b>	<b>-2</b>	<b>-0</b>	<b>+1</b>
Pork	-1	-8	-7	-2	-10	-7	-0	-4	-4
<i>Belly</i>	-1	-3	-2	+2	-5	-7	-6	-6	-0
<i>Chops</i>	+7	-4	-11	-6	-11	-6	-2	-5	-3
<i>Steak</i>	-4	-10	-7	-11	-13	-3	-7	-9	-2
<i>Leg Roasting Joint</i>	-10	-15	-5	+6	-2	-7	+4	-1	-5
<i>Loin Roasting joint</i>	-10	-18	-8	-15	-22	-8	+4	-2	-5
<i>Shoulder Roasting joint</i>	+11	-7	-16	+10	-3	-12	+8	+0	-7
<i>Ribs</i>	-2	-0	+2	+11	+8	-3	+3	+2	-1
<i>Marinades</i>	+77	+62	-8	+38	+26	-8	+16	+6	-8
Bacon	-3	+2	+5	-2	+1	+3	-1	+0	+1
Beef	+3	+0	-2	-0	+0	+0	-1	+3	+4
Lamb	+0	-1	-1	-8	-8	+0	-8	-4	+5
Poultry	+0	-2	-2	-3	-4	-1	-2	-2	-0
<b>Processed products</b>									
Pork Sausages	+3	+2	-2	+1	-1	-2	+0	+2	+1
Fresh Pre-packed Pork Pies	-0	-0	-0	+1	+3	+1	+3	+4	+1
Fresh Pre-packed Sausage Rolls	+3	-2	-5	+1	-3	-4	-1	-1	-0
Pork Chilled Ready Meals	+22	+20	-2	+12	+12	-0	+6	+11	+5
Pork Sliced Cooked Meats	-2	-2	+1	-1	-2	-1	+0	+1	+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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