

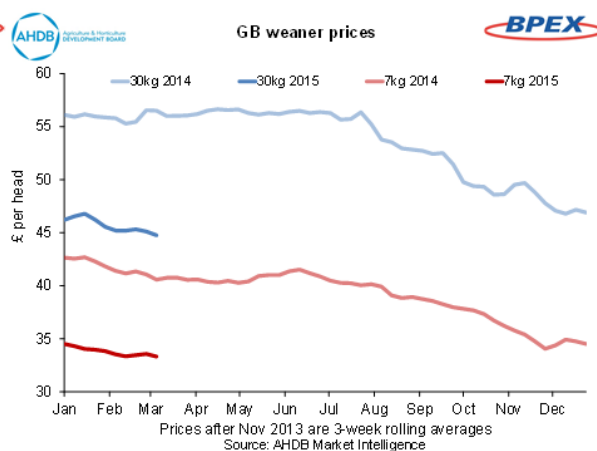
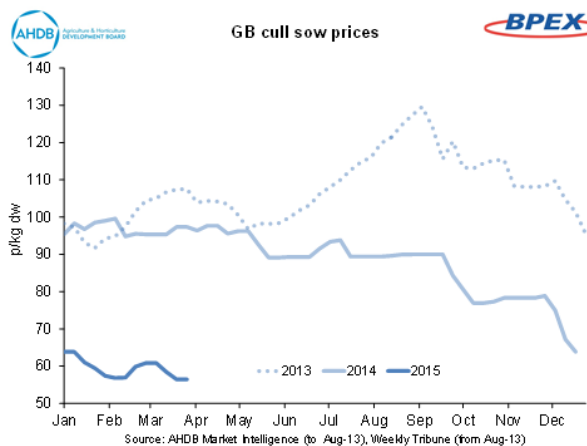
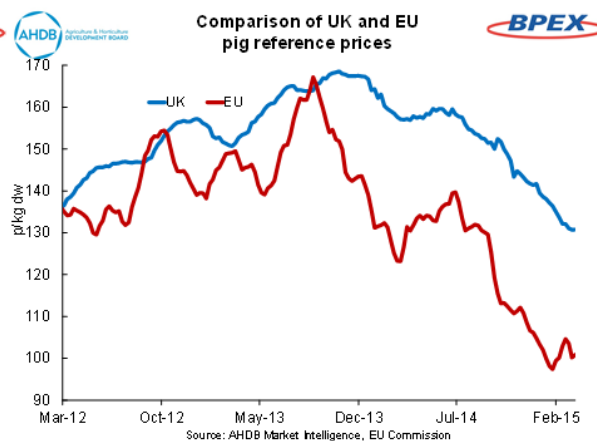
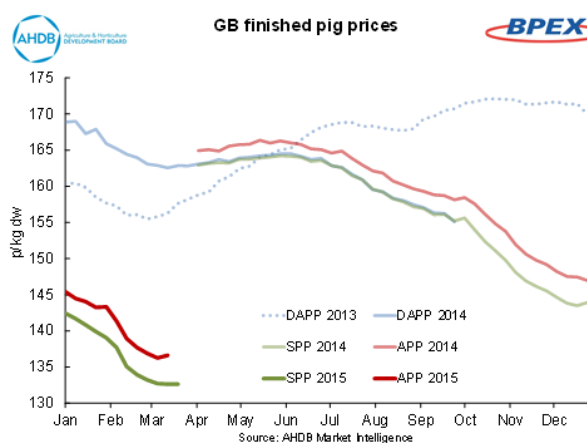
## United Kingdom Pig Meat Market Update

April 2015

### UK PRICES

February brought little change in the downwards movement of finished pig prices. The EU-spec GB SPP averaged 135.02p per kg, 5.68p down on January. This is the equivalent of over 29p per kg below the DAPP in February 2014, a sharper fall than in previous months. Into March, the SPP has fallen further but by smaller amounts week on week, as the more recent stability seen on the continent, based on tighter supplies, begins to filter through to the GB market. By the week ended 21 March the SPP was virtually unchanged, suggesting stability could be the norm in the coming weeks.

In the same way, the EU-spec GB APP also fell in February, to 138.72p per kg, down 5.34p. This has again widened the gap with the SPP to 3.7p per kg. The APP in the week ending 14 March, however, showed an upturn, up 0.36p per kg on the week, potentially leading the way for some market stability, as reports of heightened spring demand and somewhat tighter supplies pan out.



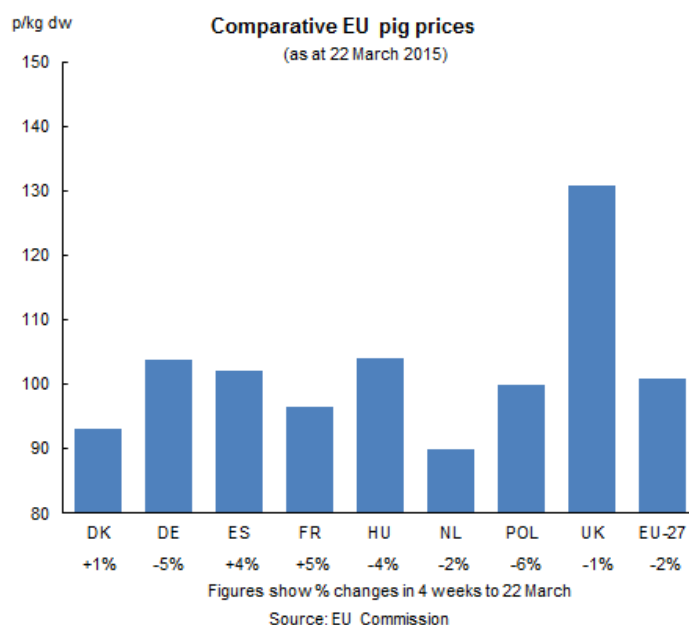
It appears that carcass weights may have peaked in January, as those in the APP sample fell to an average of 81.85kg in February, although still about 1.3kg up on weights in the DAPP sample a year

before. The maintenance of heavier carcasses has been achieved largely by the continuation of low feed costs, with prospects for this year's harvest still looking broadly favourable in most parts of the world. The average probe measurement was maintained at 11.3mm in February but has since fallen to 11.1mm in mid-March, an important consideration for producers as they strive to meet market specifications.

In February 2015, the weaner markets followed suit, with prices continuing their downward trend. 7kg weaners averaged £33.51 per head, just 64p lower than in January, and fell further into March. Similarly 30kg weaners decreased by just under 60p to £45.20 a head. Consequently, prices continue to run below 2014 by around £8 and £11 respectively, as concern over demand for increased production grows. For the week ended 21 March, however, both weaner prices saw a modest 8p per head increase, hinting that the slowdown in falling finished prices may have begun to filter through to finisher optimism. However, any significant upward price movements remain unlikely in the short-term.

## EU PRICES

Throughout February, the EU average pig reference price showed some significant upwards movement. In the week ended 1 March, the average price reported by the EU Commission was €143 per 100kg dw, up nearly €4 on the week. For the four weeks to the 1 March, the price had increased by over €12 per 100kg, although the weakening euro meant this was equivalent to just 7p/kg. The speed of such an upturn has not occurred since the middle of 2013 and it has narrowed the gap with prices this time last year to around €7 per 100kg, in contrast to a €30 difference at the start of 2015. This change in direction can in part be attributed to some tightening of supplies, although this may only have been a short-term situation, as by week ended 22 March prices were back down to just over €140 per 100kg.

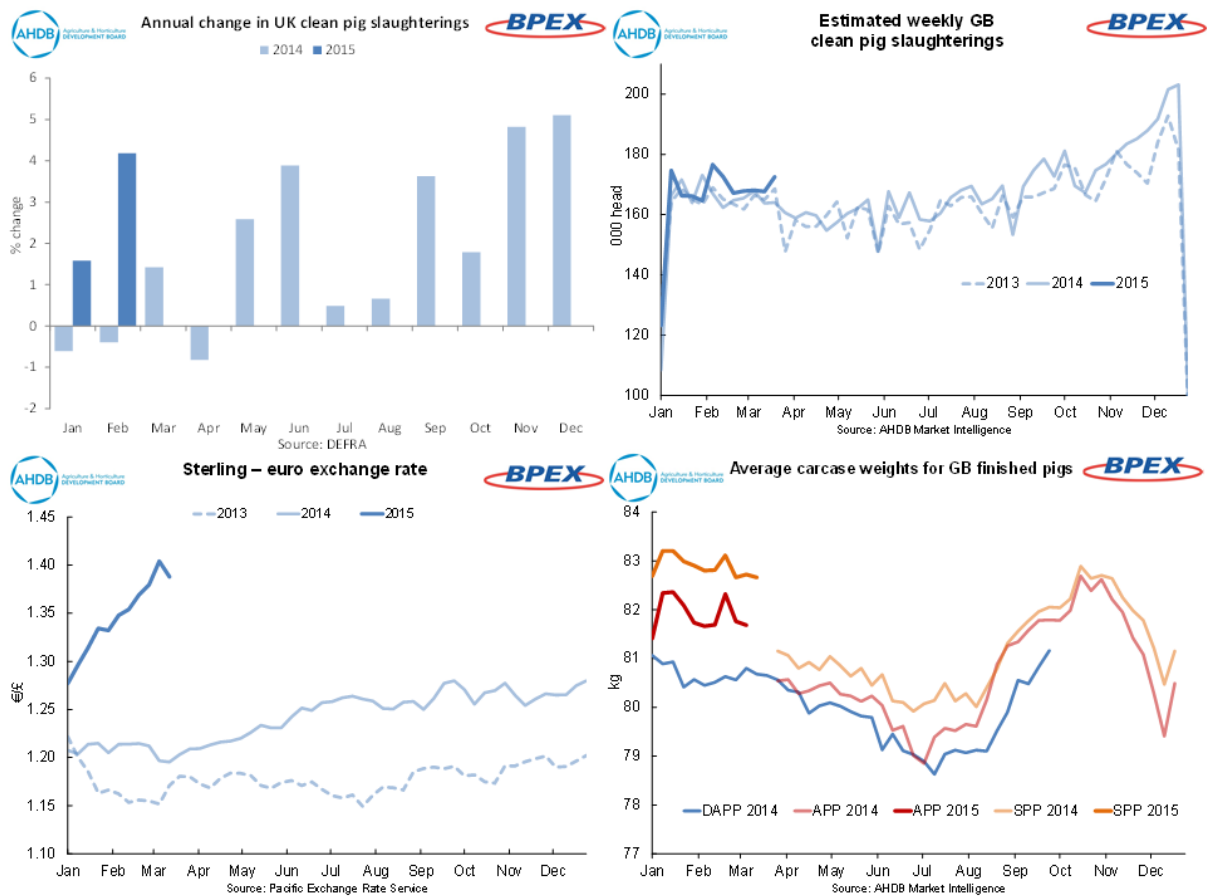


Spanish finished pig prices increased by over €12 per 100kg during February, while Germany also remained a driver of price trends, up €17 per 100kg. Belgium, France, Poland, the Netherlands and Austria also all increased by over €10 per 100kg and Danish prices rose by €8. Ireland, however, only recorded an increase by €2 in the month, meaning its price fell below the EU average for the first time since September.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

Latest Defra data suggest that in February clean pig slaughtering in the UK was 815,800 head, 4% up on February 2014. This provides confirmation of industry reports of continued ample supplies at that time. Northern Ireland again reported the highest increase in its kill, as growth in its herd becomes evident throughout the supply chain, but all parts of the UK recorded year-on-year growth. Sow and boar slaughterings were reportedly 2% back on last February, at 19,100 head. As cull sow prices continue to be poor, increased retention is likely as sow replacement becomes less economically attractive, which could negatively impact the efficiency of production in the coming months.

The figures also show that, although carcase weights were down marginally on January, at 82.3kg, they were over a kilogram heavier than in February 2014. This, alongside higher throughputs, resulted in a 6% year on year increase in pig meat production, to 70,500 tonnes for the month. As slaughterings for the first two months of 2015 are up on those in 2014 by almost 3%, the downwards movement of finished pig prices clearly continues to be, in part, supply driven.



In January 2015, according to data from HMRC, the UK imported 3% less pork than a year before, with lower deliveries from Germany, Ireland and France. This decrease from European partners, despite the growing gap between EU and UK prices due to the weakening of the euro, concurs with the increased domestic supply and consumer preference for UK product. Denmark retained over a quarter share of the market and increased the volume of pork it delivered to the UK in January by 5%. There was also a significant increase in Polish pork imports, perhaps a remnant of redistribution of product previously destined for Russia. The other legacy of an ample supply, particularly within the EU, was 17% lower unit prices.

Bacon and sausages were also cheaper on the year and these categories did increase in import volume. A 3% rise in bacon imports was supported by Germany and Ireland, as product from the Netherlands decreased and was replaced by Danish bacon. 11% more sausages were imported, with the same key European trade partners involved. Less processed pork was imported, however, as the result of Irish, Dutch and Danish reductions.

Despite higher domestic supply, UK pork exports in January 2015 were down 7% on the year, even as unit prices dropped by 12%, bringing the value of exports during the month down to £14.5 million. The UK was competing with supplies from across Europe on Asian markets, as a result of the loss of the Russian market; a 42% reduction in shipments to China and 50% to Hong Kong highlights this. Also, as US production recovers from PEDv, UK exports to that market were down 13% on the year. However, smaller Asian markets like the Philippines and South Korea did take more pork from the UK than a year earlier.

Meanwhile, exports to the rest of the EU were little changed from January 2014, despite the increased gap between pig prices at home and on the continent. Offal exports to China were also reduced by a third, although more was taken by Hong Kong, the Philippines and South Korea, with higher prices supporting the value of the fifth quarter.

## **FEED MARKET**

March has been a bullish month for UK grain prices. New crop (Nov-15) futures in London closed at £133/t on Friday 20 March, up £4.80 on the week and a £7 rise since the start of the month. Chicago May-15 wheat futures have seen a slight increase since the beginning of the month. However, currency movements have weighed down on US prices, as the strengthening dollar has put increasing pressure on the value of wheat in order to remain export competitive. As at 26 March, May-15 Chicago futures prices had increased \$6.98/t since the beginning of the month, as dry conditions for key US winter wheat crops are a key factor at present lending some support to prices.

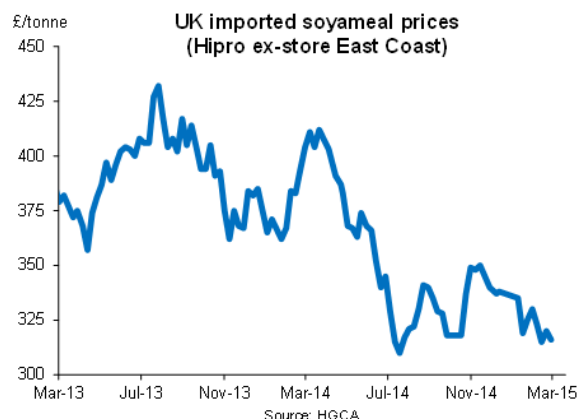
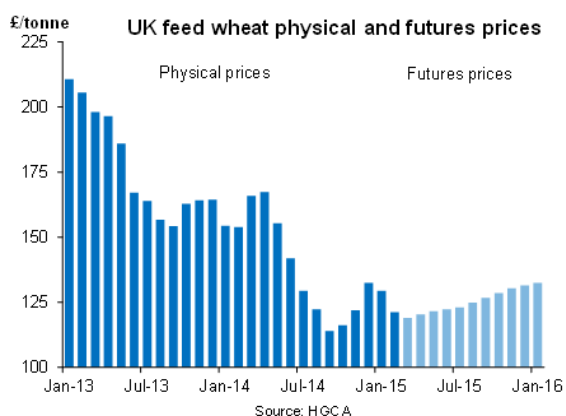
Further price volatility may be around the corner, with quarterly US stocks and prospective planting data out from the USDA on 31 March. A year-on-year fall in the US maize area is anticipated, but this could well be offset by the emergence of warm conditions which will be supportive of maize plantings ahead of the later-sown soyabean crop.

As at 1 December 2014, Scottish wheat plantings stood at 104.9Kha, up 2.3% on a year earlier. This goes against the trend of England and Wales and might be linked to farmers responding to the three crop rule. This could well result in reduced price differences between England and Scotland, continuing the trend seen this season.

In Europe, the crop outlook remains positive according to the latest EU (MARS) Crop Monitoring report. Based on conditions to date, the report included its first projections of EU yield potential in 2015. While down from the high levels seen in 2014, potential to date for nearly all crops is still projected above the previous 5 year average

As a result of strong supplies and a weak euro, French maize has seen increased sales to the world market - EU maize exports usually struggle to compete against the likes of the US. With falling freight rates too, Reuters suggests multiple export cargoes will be shipped to Asia. The non-GM nature of French maize was also cited as a factor for some importers.

Russia's agriculture ministry remains optimistic towards 2015 grain production with current forecasts at 100Mt, down slightly from the 105.3Mt in 2014 and above the 92.4Mt in 2013. Damage to the winter crop is less than expected according to the Interfax news agency. Spring has apparently arrived two weeks ahead of last year, allowing planting to commence. The region will need to be closely monitored as always this growing season, in order to gauge ongoing weather impacts and whether farmers have sufficient resources to grow the crop.



Chicago May-15 soyabean prices have fallen marginally since the beginning of the month (3%). As harvest gets underway in South America, the market is becoming more confident that record production forecasts will be met.

In the EU, attention has now turned to the prospects for the 2015/16 rapeseed crop. Early projections from Strategie Grains indicate a smaller area planted to rapeseed for harvest 2015 (down 3%) compared with 2014. The smaller area suggests that supplies may be tighter, which has added some support to European futures prices in combination with a weaker euro over recent weeks. As at Wednesday's close (25 March) Paris May-15 rapeseed futures prices were €366/t, up €0.75 since the beginning of the month.

Informa Economics trimmed its forecasts of the US soyabean area for harvest 2015. The firm now project the area at 35.4Mha, down from 35.6Mha in January, but still up from the 33.9Mha planted for harvest 2014. Its maize area projection was virtually unchanged at 35.83Mha (35.86Mha in January) – the USDA estimates that 36.7Mha were planted for harvest 2014.

In the US, the discovery of a virulent strain of bird flu (H5N2) at a turkey farm in Arkansas has given rise to concerns about domestic soyameal demand. Arkansas is the third largest turkey producing state in the US and there are concerns that the discovery may dent demand for US poultry overseas. A number of poultry importing countries have restricted imports from US states where previous outbreaks have occurred.

## CONSUMPTION

A 7% decline in average retail prices, coupled with a 4% fall in the amount of pork purchased, resulted in a sharp double digit decline in consumer spending for the latest 12 week period, ended 1 March 2015, according to Kantar Worldpanel. Consumer switching was a key driver behind volume losses, with chilled ready meals and fresh chicken and beef the main beneficiaries. With the exception of mince, all cuts registered a fall in purchase volumes over the year. Chops/steaks have recorded falling demand for some time now, while roasting joints have not recovered from a poor Christmas in 2014. Within roasting joints, shoulder, belly and loin all contributed to year on year

declines in both volume and value. Volume sales of leg joints remained at similar levels to last year, though cuts in average prices resulted in a fall in total spending.

The amount of premium bacon purchased was up 40% year on year, which has helped total bacon sales to increase compared with the same period last year. Total expenditure on bacon was down due to an average price decline of over 2% at a total bacon level and 6% for premium. However, sales of pork sausages and ham both declined, despite static or falling prices.

#### Trends in retail meat purchases (period ended 01 March 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>-2</b>	<b>-5</b>	<b>-2</b>	<b>-0</b>	<b>-3</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>+0</b>
Pork	-5	-10	-5	-4	-10	-7	-1	-5	-5
<i>Belly</i>	-8	-9	-1	-12	-11	+0	-8	-9	-1
<i>Chops</i>	+6	-3	-9	+3	-7	-9	-2	-6	-4
<i>Steak</i>	-9	-13	-4	-5	-11	-7	-7	-10	-3
<i>Leg Roasting Joint</i>	+12	+3	-8	-0	-10	-10	+4	-2	-6
<i>Loin Roasting joint</i>	-18	-13	+6	-7	-10	-3	+4	+1	-3
<i>Shoulder Roasting joint</i>	-9	-22	-14	-6	-16	-11	+5	-4	-9
<i>Ribs</i>	+36	+27	-6	+13	+8	-4	+6	+3	-2
<i>Marinades</i>	+38	+24	-10	+30	+24	-5	+16	+6	-8
Bacon	+3	-1	-4	+2	-0	-2	+0	+1	+0
Beef	-2	-2	-0	+2	+1	-1	+0	+2	+2
Lamb	-12	-14	-2	-9	-9	+1	-10	-6	+4
Poultry	-3	-5	-2	+0	-3	-3	-2	-3	-1
<b>Processed products</b>									
Pork Sausages	-1	-2	-1	-1	-1	-1	-0	+0	+0
Fresh Pre-packed Pork Pies	-10	-5	+5	-3	-1	+2	+2	+3	+1
Fresh Pre-packed Sausage Rolls	-2	-6	-4	+1	-1	-2	-1	-2	-1
Pork Chilled Ready Meals	+13	+6	-6	+13	+11	-2	+7	+11	+3
Pork Sliced Cooked Meats	-1	-3	-2	-2	-3	-2	-0	+0	+0

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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