

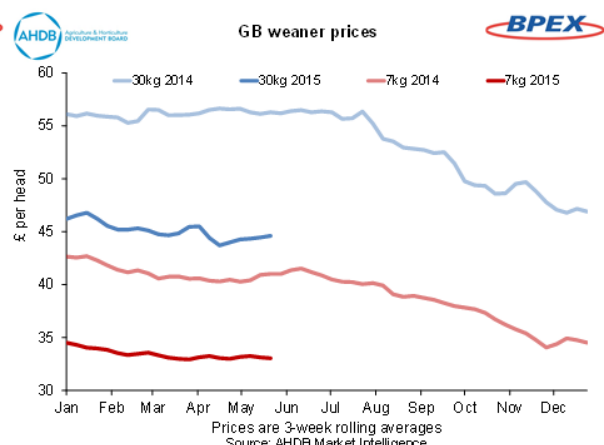
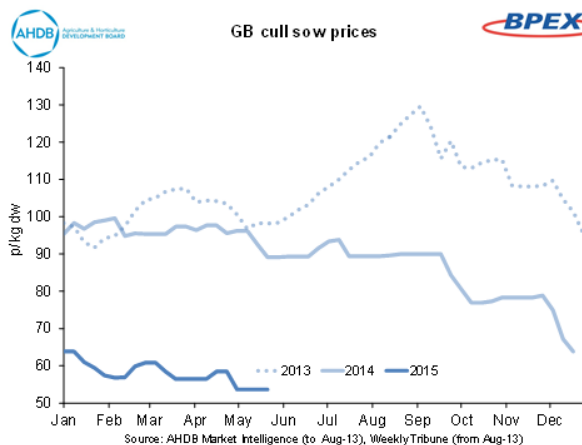
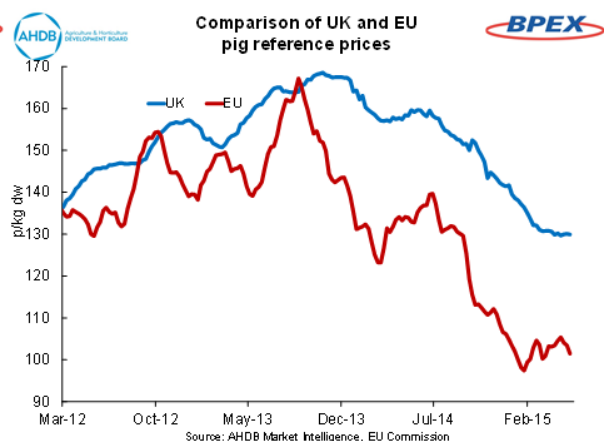
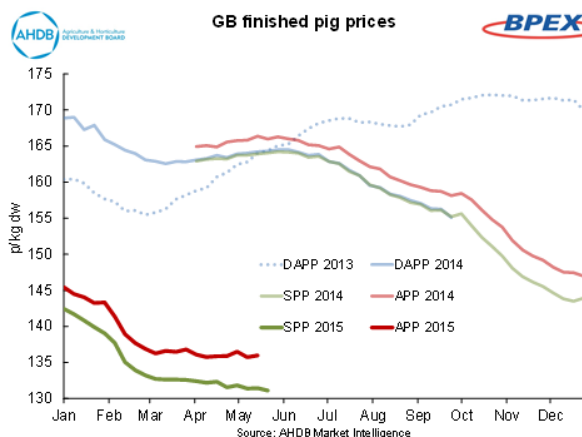
United Kingdom Pig Meat Market Update

June 2015

UK PRICES

Pig prices have remained broadly stable over the last two months, although given that they would normally be rising seasonally at this time of year, this doesn't necessarily indicate a turning point for the market. The EU-spec GB APP averaged 136.02p/kg in April, less than a penny down on the previous month but 29p lower than in April 2015. The average price fluctuated during the month but without any clear trend. The gap between EU and UK prices has narrowed somewhat but still remains at around 25p/kg, very high by historical standards. This is contributing to the subdued domestic prices, along with relatively plentiful supplies. With little having changed in early May, the APP stood at 135.72p/kg for week ended 9 May.

The SPP followed a similar trend to the APP, although the gap between them rose further. The April average EU-spec SPP of 132.07p/kg was 31p down on a year earlier but less than a penny lower than in March. Further slight falls in early May took the SPP to 131.44p/kg for week ended 16 May.



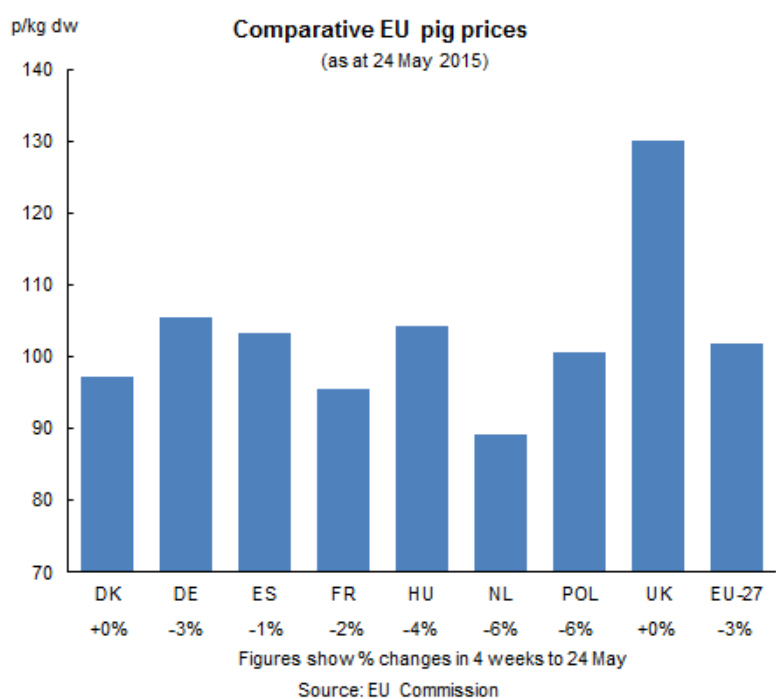
Carcase weights remained high in April and early May, although they fell seasonally. The average weight in the APP sample in April was 80.9kg, half a kilo heavier than in April 2014. There was an

even bigger increase in the average carcase weight from the SPP sample, which was well over a kilo heavier. This suggests that standard pig weights have risen further than for premium pigs, possibly contributing to the growing gap between the two price series.

The stabilisation of the finished pig market was also apparent in weaner prices. The average price for 7kg weaners in April was actually slightly higher than in March, at £33.16 per head. 30kg weaners were slightly cheaper at £44.60 per head but the fall was only 27p compared with March. However, the extent of price falls over the last year meant that the 7kg price was over £7 lower than in April 2014 and the 30kg price was down by £12. In early May, prices were broadly stable and stood at £33.04 and £44.60 respectively in week ended 16 May.

EU PRICES

Since the beginning of March, the EU average pig reference price has fluctuated between €140 and €147 per 100kg but with no clear trend. The price rose through much of April, increasing from around €141 per 100kg at the end of March to €147 four weeks later. However, prices then fell back in early May, losing all of the ground gained during April. In the latest week, ended 17 May, the price stabilised to stand at €140.74 per 100kg, €22 lower than a year earlier.



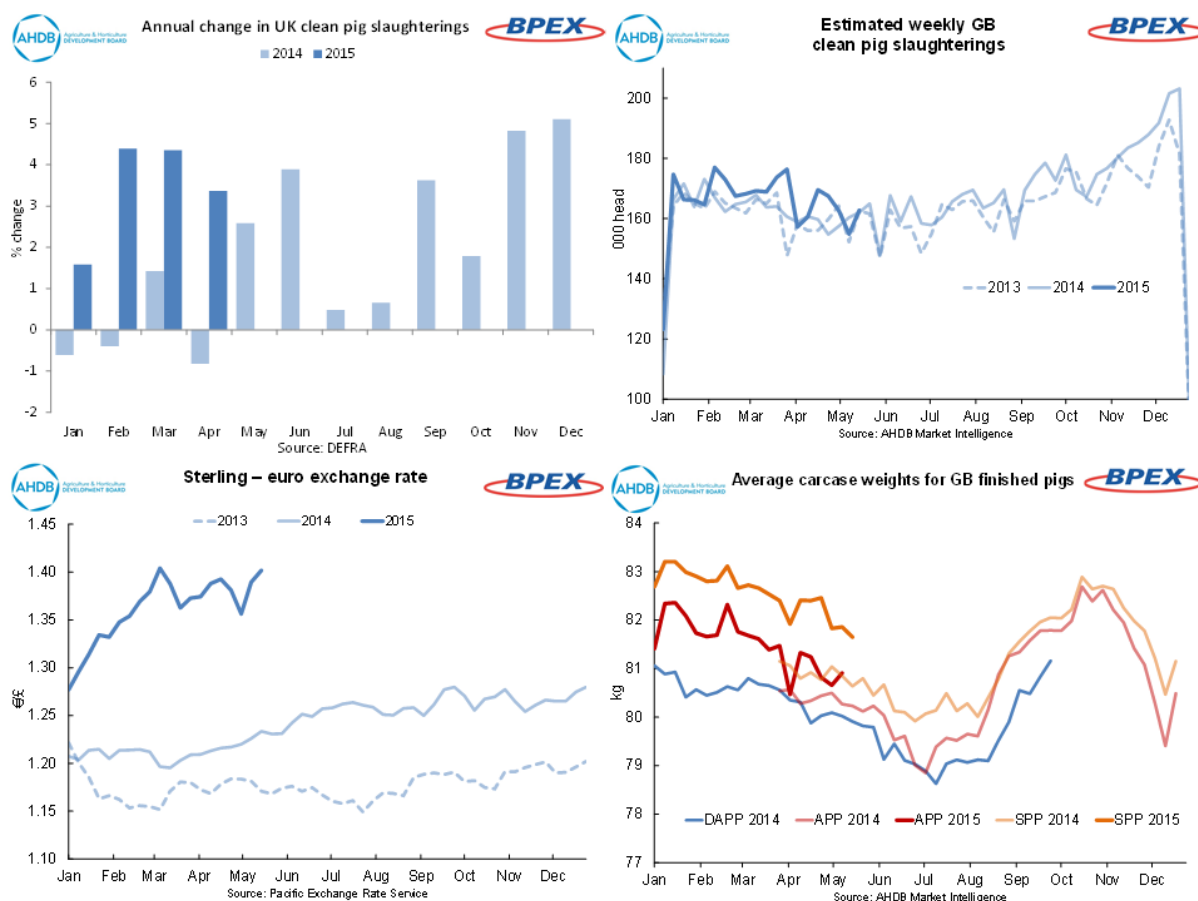
The biggest increases in prices during April were in the main northern producers, with Germany, the Netherlands, Denmark and Poland all recording increases of 5-6%. However, apart from Denmark, they all saw prices fall back again in early May. Prices further south increased more slowly during April but, unlike those further north, they held their level in early May. This was also true of Ireland, where prices rose by 3% during April then stabilised into May.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

Latest figures from Defra confirm that UK pig supplies remained high during April. Slaughterings were up over 3% compared with a year earlier, to 969,000 head. Throughputs have now been up year on year for 12 consecutive months, with nearly 300,000 extra pigs processed during that period. Slaughterings in Northern Ireland were up by 4%, slightly more than in England, but figures

for Scotland are not yet available. Carcase weights during the month were at their lightest since August, averaging 81.6kg. However, with falling weights normal for the time of year, this was still over a kilo heavier than in April 2014.

In contrast, sow slaughterings continue to run below year earlier levels, declining for the 11th straight month. At 22,700 head, they were 6% down on last April. Once again there is little indication that the drop in pig prices is leading to producers reducing or liquidating their herds. Indeed, low cull prices are evidently continuing to discourage producers from replacing some sows. The fall in sow meat production was insufficient to offset the higher clean pig numbers and weights and pig meat production during April was up 4% on the year at 82,400 tonnes.



According to the latest data from HMRC, UK pork imports in March 2015 increased 3% compared to the level seen a year before. Higher volumes were reported from Denmark, Belgium and Spain, while imports from Poland remained well up on last year. However, shipments from Germany, the Netherlands and Ireland all fell. This is the second monthly rise in imports, suggesting the price difference between the UK and the rest of Europe was large enough to tempt some buyers. This has helped imports to the UK in the first quarter of 2015 increase by 3%. Continuing high supplies of pork in the EU and the weak euro led to the unit price being 10% lower during the quarter, compared to 2014, which resulted in the total value of UK imports falling 7% year on year.

In contrast, imports of bacon were down by 8% in March, with lower shipments seen from Denmark, the Netherlands and Ireland, although purchases from Germany and Spain actually increased. Processed pork imports were up 4% on the year as a result of higher shipments from Ireland and Poland, while the volume of sausages imported fell 7% driven by lower volumes from Germany.

Following increases in February, UK pork exports fell 12% in March, partly due to the strength of the pound making UK products less competitive on global markets. Volumes going to all major buyers fell, with the sharpest drop being to China, down 27%, making it only the second largest market for UK pork. Exports to Germany also fell but by a more moderate 8%, so it overtook China as the largest destination for UK pork in March. Exports to Denmark, Ireland, the Netherlands and Hong Kong also dropped. This meant export volumes from the UK in the first three months of the year were down 4% compared with the same period in 2014.

The average unit price of shipments in March fell 11%, reducing the total value of UK pork exports to £15.5 million, 22% down year on year. Offal exports were also down, as increased shipments to China were not enough to offset falls to Hong Kong and EU markets.

FEED MARKET

May has proved to be a mixed month for grains. The downward trend through April continued into early May, driven by expectations of high global production and large stocks. In mid-May the market experienced a brief rally. The upward movement was caused by a combination of factors, including some weather concerns, currency movements and speculative traders trying to reposition themselves.

Despite some dips, including closing at two new contract lows over the month (on 5 & 13 May), the Nov-15 UK feed wheat futures contract closed at £121.55/t on Wednesday 20 May, up £1.30 since the start of the month. Similarly Dec-15 Chicago maize futures prices had a variable month, with prices ranging almost \$4 over the month. Maize contracts closed at \$145.37/t on 20 May, \$0.20 less than on 1 May. The variation seen over the month is a symptom of the mixed news coming through in recent weeks.

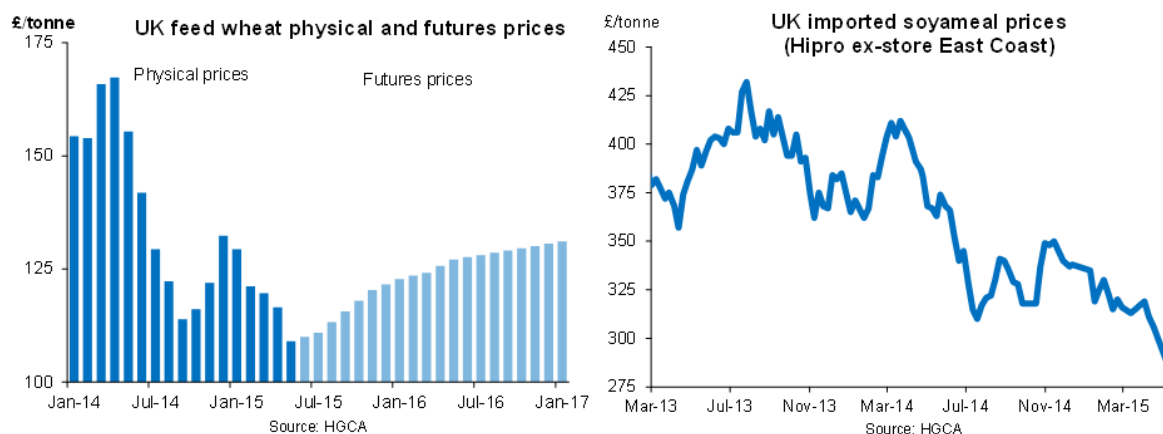
The USDA 2015/16 season supply and demand estimates released on Tuesday 12 May did little to ease the downward pressure on prices. Production was forecast down year on year, by 7.5Mt for wheat and 6.3Mt for maize. However, another surplus was projected for wheat and only a thin deficit for maize which may just about keep a lid on the maize stocks-to-use ratio. Unlike wheat, maize doesn't have scope for a huge amount of movement in its stocks-to-use ratio, without lending support to prices. Since maize is the dominant feed grain, this puts maize stocks back on the watch list as a potential source of volatility.

Confirmation of El Niño conditions by The Australian Bureau of Meteorology and Japan Meteorological Agency introduced some supply concerns to the market. The likes of Australia, a top grain exporter, have in previous El Niño years, 2006 in particular, been severely impacted. Although the extent of the impact on production is difficult to determine at this stage, markets can potentially become twitchy and overreact to individual weather reports.

A weakening US dollar through the first half of the month also contributed to price movements. With global commodity trade denominated in dollars, weakness in the currency supports the dollar price, encouraging speculators to buy. There is a risk for the UK here, in that a falling dollar impacts UK export competitiveness onto the world market – something that it has been more reliant on this season in light of a strong pound against the euro.

Over the month soyabean prices continued to tumble. On 20 May the Nov-15 Chicago soyabean futures contract closed at \$338.28/t, \$9.55 lower than at the start of the month. On the other hand,

Nov-15 Paris rapeseed contracts closed at €361.50/t, up €5.75 on the start of the week, aided by a weakening in the euro. The movement of these contracts has been mirrored by UK oilmeal prices.



The USDA stretched the bearish feel into the new crop by projecting a global 15Mt surplus of soyabeans in 2015/16 which would push the stocks-to-use ratio above 31%. An increase to the US soyabean area is expected despite poorer returns, as damage limitation drives farmers to choose soyabeans over maize. While other factors are also at play, ultimately falling prices have less of an impact on the lower yielding crop, in this case soyabeans over maize.

Over the month, more cases of avian influenza were reported from US farms, with cases now found in 16 US states. As at 20 May, an estimated 38 million birds have died or been culled as a result of the virus. Although the recent bird flu outbreak has caused concerns over feed demand, many remain confident that the chicken population will recover quickly.

El Niño is certainly a watch point for the oilseeds market. It is a threat to canola (rapeseed) production in Australia and palm oil in South East Asia. However, Malaysian stocks and production of palm oil continue to run ahead of a year ago as we head towards the production peak in August-October. So, we have to treat El Nino as a market sentiment driver at present, which may or may not fully materialise, but certainly it is a risk factor to keep an eye on.

CONSUMPTION

Fresh meat and poultry sales recorded year on year declines in the 12 weeks ending 26 April 2015, even as the economy continued to recover. However, for the 4 week run up to the Easter weekend, lamb and beef sales recorded growth in value and volume but this was offset by slight declines in chicken and significant reductions in pork sales.

Easter provided some relief for roasting joints, according to Kantar Worldpanel. In the pre-Easter period, fresh roasting joint sales (beef, pork and lamb) were up compared with Easter 2014 in both volume (9%) and value (1%) terms, supported by a higher share of households purchasing these cuts. Lamb leg joints sold particularly well, overtaking beef as the joint with highest spending on it in the run-up to Easter, while only pork leg joints were down compared to last Easter. Year on year Easter growth since 2011 has confirmed the position of lamb as an Easter dish.

While meat and roasting joint prices have risen in recent years, this Easter saw prices fall across all proteins, aided by heavier promotional activity, especially temporary price reductions. Indeed, 80% of spending on lamb leg joints was on promotion this Easter. This put average lamb prices at below Easter 2011 prices, an indicator of ample supply in 2015. Lamb leg prices were around £2/kg below

roasting beef prices, a contributing factor to shoppers switching to lamb leg from beef roasting, as well as from whole chickens and pork roasting cuts.

Within pork, leg roasting joints continued to perform poorly at Easter, despite registering the biggest price decrease of any red meat roasting joint. Pressure in particular came from whole chicken price reductions of up to 20% in the Big 4 retailers. In contrast, pork shoulder continued its recent good performance and was up some 13% in volume sales, helped by an increase in levels of promotional activity at Easter.

This overall growth in roasting joint sales was the biggest volume improvement across all red meat cuts, with smaller year-on-year growth evident in stewing cuts and mince, offset by declines in steaks and chops.

Trends in retail meat purchases (period ended 26 April 2015)

	4 weeks 2015/14			12 weeks 2015/14			52 weeks 2015/14		
	Q	E	P	Q	E	P	Q	E	P
% change compared with a year earlier									
Fresh and Frozen Meat, Poultry and Bacon	-5	-9	-4	-2	-4	-3	-1	-2	-1
Pork	-9	-13	-5	-8	-12	-5	-3	-7	-5
<i>Belly</i>	-5	-8	-3	-8	-9	-1	-4	-5	-1
<i>Chops/Steaks</i>	-10	-14	-4	-10	-14	-4	-7	-10	-3
<i>Leg Roasting Joint</i>	-16	-33	-21	+3	-11	-13	+4	-4	-8
<i>Loin Roasting joint</i>	+36	+33	-2	-14	-14	+1	-2	-5	-3
<i>Shoulder Roasting joint</i>	-20	-24	-4	-7	-16	-9	+1	-7	-8
<i>Marinades</i>	-8	-12	-5	+3	-1	-4	-3	-8	-5
<i>Ribs</i>	-3	-5	-3	+1	+0	-1	+1	-1	-2
<i>Mince</i>	-18	-21	-5	-5	-8	-4	+11	+10	-1
Bacon	-8	-8	-0	-1	-4	-3	+0	-0	-0
Beef	-8	-8	-1	-2	-2	-0	+0	+2	+2
Lamb	-24	-20	+6	+2	-4	-5	-7	-6	+1
Poultry	+4	-3	-7	+2	-3	-5	+1	-2	-3
Processed products									
Pork Sausages	-1	-1	+1	-1	-1	-0	-0	-1	-1
Fresh Pre-packed Pork Pies	-10	-5	+5	-5	-2	+3	+1	+2	+1
Fresh Pre-packed Sausage Rolls	+5	-3	-7	+1	-5	-6	-1	-4	-2
Pork Sliced Cooked Meats	+1	-2	-3	-1	-3	-2	-1	-1	-0
Pork Chilled Ready Meals	+10	+9	-1	+11	+7	-4	+9	+11	+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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