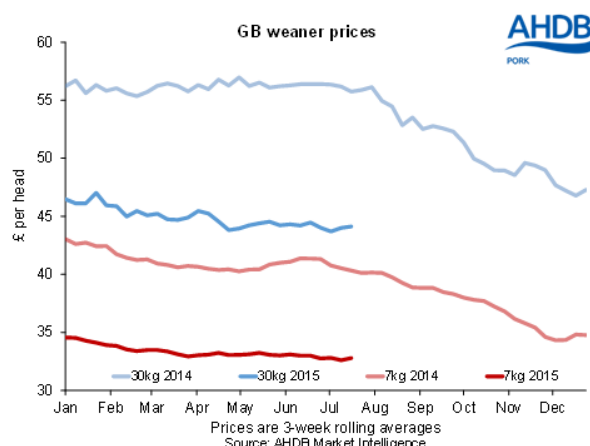
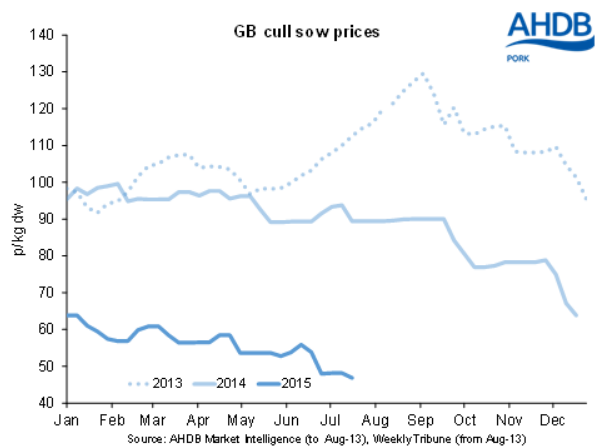
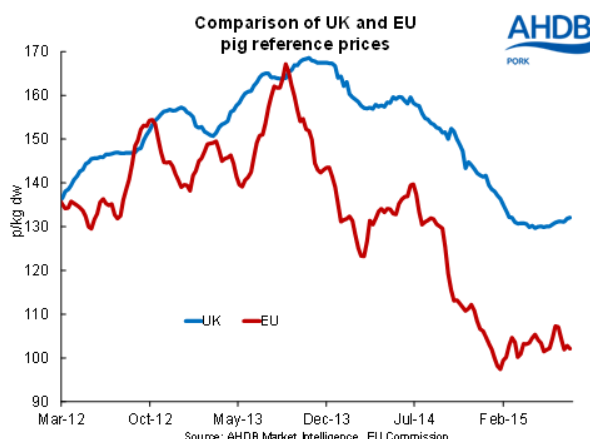
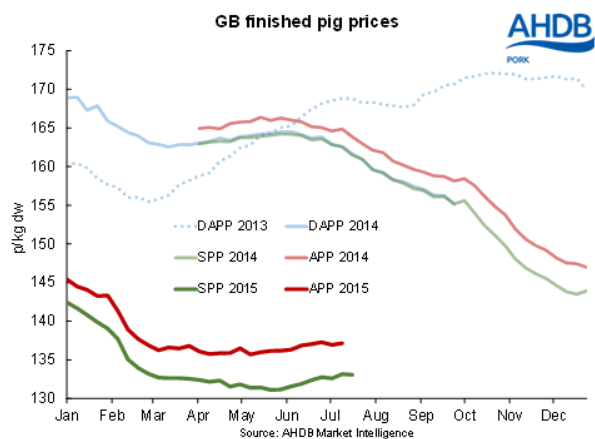


UK PRICES

After a year of steady declines, GB finished pig prices finally began to increase again in June. The monthly average EU-spec APP was just under a penny higher than the previous month at 136.88p/kg. This was the first monthly rise since last May and meant that the gap between this year's price and last year's reduced to less than 29p. The market remains largely balanced, with the slight firming of prices reflecting a modest tightening of supplies. With supplies expected to remain relatively plentiful (see page 4) and the euro remaining weak, however, it wouldn't take much for the direction of the market to change again. Indeed the APP fell in the first week of July, although recovering slightly the following week to stand at 137.15p/kg.

The average SPP also increased by just under a penny in June to 132.15p/kg. Prices for standard pigs have fallen slightly more than average over the last year, with the year-on-year drop nearly 32p. Slight rises in early July took the price back above 133p for the first time since February and the annual fall was down to a little over 28p.

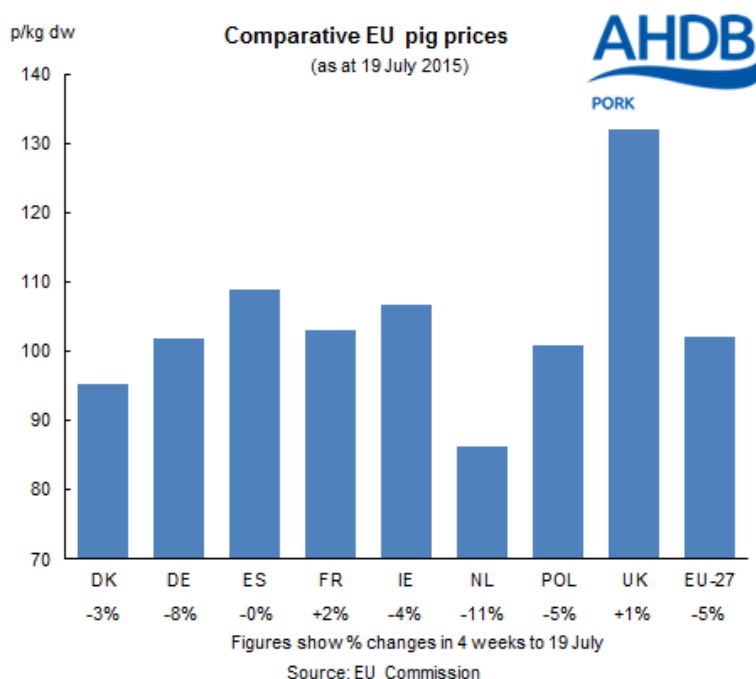


Carcase weights continued to follow the normal seasonal trend in June, with the average weight in the APP sample dropping by around 400g compared with the previous month, to 80.14kg. A similar drop was recorded in the SPP sample. This kept weights above year earlier levels, particularly for standard pigs. However, the very hot weather in early July slowed growth rates meaning that weights dropped back close to their level in July 2014.

With the finished pig market showing no great movement, it is little surprise that the weaner market was also largely stable. The average prices for weaners in June were only a few pennies lower than in May, continuing the recent trend. Indeed the June averages for both 7kg and 30kg weaners were less than a pound lower than in February. Nevertheless, both series were significantly down on a year earlier. The 7kg average of £32.92 per head was over £8 down on June 2014, while the 30kg price was £12 lower at £44.23 per head. Relatively low feed prices are preventing prices falling even further but the future direction of these quotes will depend on developments in the finished pig market.

EU PRICES

During June and early July, the average EU pig price has continued to fluctuate but with no clear direction being established. Having reached its highest point since September in late June, at €149 per 100kg, the average then fell back. Slight increases in the last two weeks took it back to nearly €145 per 100kg. This is around €24 lower than at the same point last year, as increased supplies and sluggish demand, both on EU and export markets, put pressure on returns. Combined with further weakening of the euro, this means that the gap between UK and EU prices has widened again, reaching almost 30p/kg in the latest week.



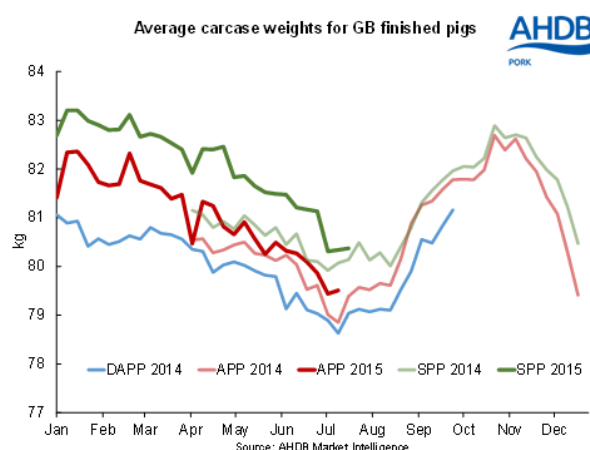
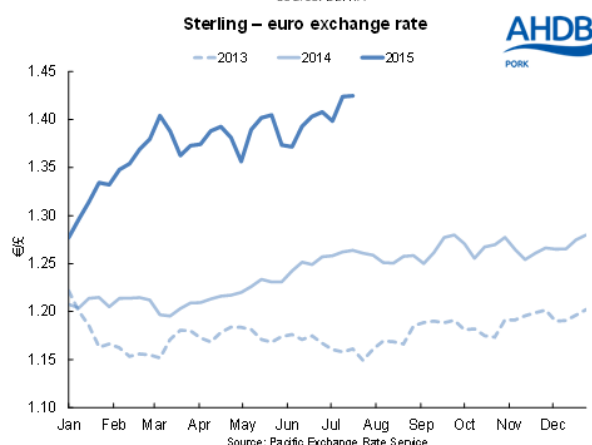
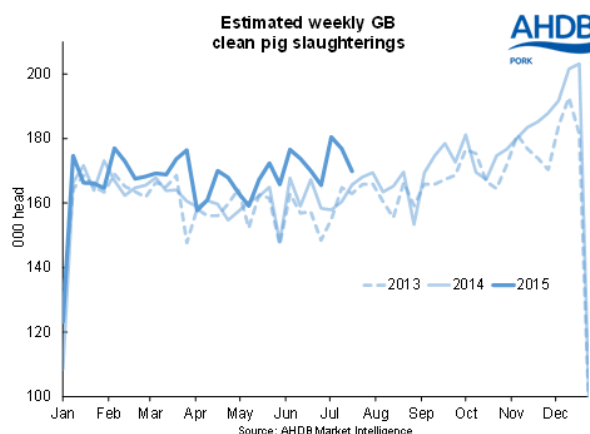
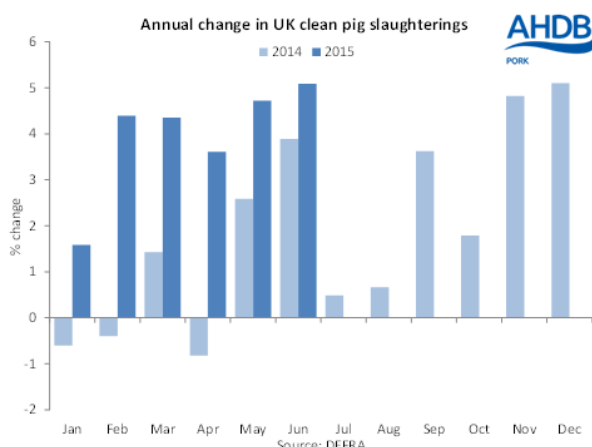
The fall in the EU average price over the last four weeks was mainly confined to northern Member States. The German price fell by €9 per 100kg, with similar falls in most of its neighbours. Indeed, the Dutch price fell by nearly €13 during this period, perhaps partly due to its leading position on the Greek market, which was effectively closed due to the lack of cash available to pay suppliers. Markets in southern Europe remained firmer than those further north, with French and Italian prices rising by €5, while Spanish quotes were up by nearly €3 from four weeks before.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

The strong growth of UK pig meat production continued in June, with output at 68,500 tonnes, up by 6% compared with a year earlier. This was the 22nd consecutive month with production rising year on year and the fifth straight month with growth of 5% or more. The main driver of the increase in

production was a 5% rise in clean pig slaughterings, which totalled 812,500 head during the month. A similar rate of increase was seen in England and Northern Ireland, while Scottish throughputs were up by a slightly smaller 2% compared with June 2015.

Clean pig carcass weights averaged 80.5kg during June. This was the lowest average since August 2014 but was still over half a kilo up on a year earlier, contributing to the increased production. Also adding to output was a 7% year-on-year rise in sow slaughterings, the first increase in over a year. This may be just a case of cullings returning to normal after a period of low throughputs. However, given that cull sow prices are still very low, it could be the first sign of producers feeling the effect of the current negative margins. Developments in the coming months will make it clearer whether this marks a significant change of direction or not.



UK imports of pork and bacon in May were lower than a year earlier for the second month in a row. Pork shipments were down by 12%, at 27,300 tonnes, the lowest figure at this time of year since 2002. With consumer demand relatively low, this suggests that retail buyers were able to source more of the pork they required from the increased supplies of UK pigs, even though imported pork was relatively cheap; at £1.70 per kg, prices were down 15% meaning the value of pork imports was down by a quarter. The three main suppliers, Denmark, Germany and the Netherlands all sent less pork to the UK, although there were increases from Belgium, Spain and Poland.

Bacon imports also fell by 12%, to 18,400 tonnes, with the largest fall being in Danish supplies. Again lower prices meant the fall in value terms was even larger. There were increases in processed imports, with 3% more sausages and 11% more other processed products entering the UK, with growth driven by supplies from Poland.

UK pork exports also declined in May, compared with last year, being down 12% at 12,800 tonnes. Reported problems with imports to Hong Kong meant shipments to that market were sharply lower. They may have also contributed to a drop in exports to Denmark and the Netherlands, likely for re-export. Trade with Ireland and Germany, however, was higher, with the former unusually being the leading market during the month. With unit prices down 9%, the value of exports was 20% lower than in May 2014, at £13.3 million.

Although much smaller in volume, exports of processed and cured pig meat continued to perform well in May, while there was also growth in offal shipments. These were up 7% year on year in May, largely due to a strong recovery in volumes sent to other EU countries, particularly the Netherlands. Exports to China/Hong Kong were down slightly, as were those to some other Asian markets.

FEED MARKET

Overall, it has been a bearish month for grain markets, with prices moving lower after a very short-lived rally at the start of July. UK feed wheat futures (Nov-15) have fallen by £7.95/t since the beginning of the month, closing at £123.00/t on Wednesday 22 July. This is the lowest settlement price since mid-June and £20.04/t below the complete average since the contract opened.

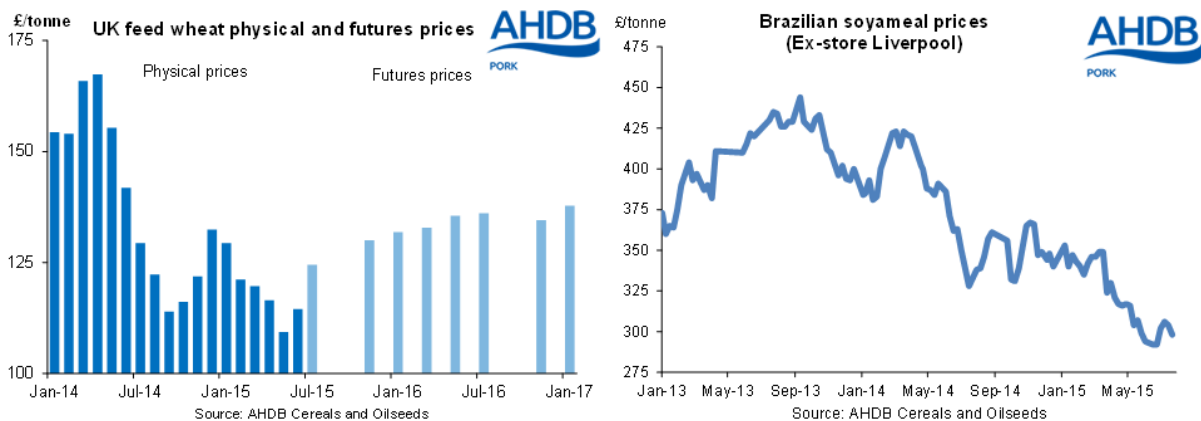
Chicago wheat futures (Dec-15) also followed the downward trend and closed at \$192.70/t on 22 July, down \$26.54 since the start of July. Chicago (Dec-15) maize prices closed at \$162.79/t, down \$7.19 over the same time period. Although weather issues remain, the market appears to be more relaxed towards them. In key parts of the US, weather conditions are becoming warmer, although unlikely to be too hot, which would stress maize during pollination.

In the EU, concerns for the maize crop in the west appear to have subsided a little. However, in comparison to earlier in the month, heat stress is forecast to build in the south east over the next week. In line with the USDA, Strategie Grains cut its forecast of EU maize production, with forecasters keeping a keen eye on the crop over the coming weeks. With the prospect of reduced feed grain supplies in the EU this season, [maize prices have risen relative to wheat, which should support feed wheat demand](#).

Recent dry conditions in Canada have been well publicised and on 22 July, Agriculture and Agri-Food Canada updated its forecasts for supply and demand. Wheat (excluding durum) production was pulled lower. However, stocks at the end of 2015/16 are set to remain above the five-year average.

Despite a 10% increase in the Canadian barley area, falling yields and a high level of abandonment have resulted in overall supply looking set to establish a record low. Demand is supported by the dry conditions, which is increasing the need for supplementary feeding by livestock farmers. Global trade in feed barley looks set to diminish in favour of more abundant feed grains, such as maize, which will need monitoring as this season progresses. The Canadian barley situation, is likely to put more reliance on Australian supplies with a continuing back drop of El Nino.

Chicago (Nov-15) soyabeans settled at \$365.75/t on 22 July, down \$12.49 since the beginning of the month. UK delivered rapeseed prices for November (Erith) were £273/t on Friday (17 July) up £5.50 in comparison to the same time last month. Brazilian soyameal (48%, ex-Store, Liverpool, Jul-15 delivery) was up £12 at £304/t on the same date.



Improving weather in the US is building confidence in US soyabean supplies and the relatively low prices this year appear to be supporting demand. The latest statistics from the National Oilseed Processors Association (NOPA), revealed that US soyabean crush volumes in June 2015 were 3.9Mt, the highest on record for the month.

Chinese soyabean imports were the second highest on record in June, spurred by low South American prices. If China is stocking up on cheap South American soyabeans, we may see a decline in its demand for the US crop later this year. So far, new crop US sales to China are the lowest since 2007 and if this trend persists, soyabean prices could decline further, especially as another large harvest is expected.

In contrast, global rapeseed production prospects in 2015/16 are helping to offset some of the bearishness felt from soyabeans. Oilworld has reduced its EU and global rapeseed production forecasts for 2015/16. Global production now stands at 64Mt, 1.8Mt lower than the June forecast (65.8Mt). Furthermore, the EU forecast is reduced by 0.5Mt versus June (22Mt).

Canadian canola (rapeseed) production could fall to a five year low in 2015/16 as official ratings suggest 35% of the canola area in Alberta, the top producing state, is in 'poor' condition. The crop was initially damaged by frost after a late spring and then suffered drought. Rains expected this week may offer relief, however, although for some of the crops it may be too late.

CONSUMPTION

Pork retail sales remained down year on year in both volume and value terms in the 12 weeks ending 21 June 2015, according to Kantar Worldpanel. The declines came across most cuts, with only pork shoulder and loin joints providing growth. This comes as customers switched away from fresh pork to fresh chicken and chilled ready meals, with fresh chicken prices having fallen more than fresh pork prices over the last year.

As the biggest single component of the category, the decline in chops and steaks is still impacting overall performance. Roasting joints were down more in value than volume overall as average prices were lower. Loin recorded higher volume sales, as 12% more households purchased them and average prices were 4% lower year on year. Pork shoulder sales were also up, boosted by major promotional activity that started at the end of April, including a 4-week TV campaign that ran until the start of June. Volume sales for the 6 weeks to 7 June showed that the amount of fresh pork shoulder bought was up just over 19% year on year. Against a backdrop of 23% growth a year ago, mince sales fell back this year.

Meanwhile spend on bacon and ham were down more than volume, as base prices were reduced. Sausage sales were reasonably stable year on year, with the premium tier remaining in growth, aided by a drop in prices.

Trends in retail meat purchases (period ended 21 June 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	+2	-1	-3	-0	-4	-4	-0	-2	-2
Pork	-1	-6	-5	-4	-9	-5	-3	-8	-5
<i>Belly</i>	-3	-9	-6	-7	-9	-2	-6	-7	-1
<i>Chops/Steaks</i>	-2	-9	-7	-7	-11	-4	-7	-10	-4
<i>Leg Roasting Joint</i>	+8	-7	-14	-6	-21	-16	+6	-4	-9
<i>Loin Roasting joint</i>	+6	+6	+1	+6	+2	-4	-5	-9	-4
<i>Shoulder Roasting joint</i>	-7	+2	+10	+4	+4	+0	+3	-3	-7
<i>Marinades</i>	-0	-6	-5	-5	-10	-5	-3	-9	-6
<i>Ribs</i>	-4	+2	+6	-6	-4	+2	-1	-2	-1
<i>Mince</i>	-11	-20	-10	-8	-13	-6	+8	+5	-3
Bacon	+3	-2	-5	-2	-5	-3	+0	-1	-1
Beef	+1	+2	+1	-3	-2	+1	+0	+1	+1
Lamb	-13	-9	+4	-17	-14	+5	-5	-5	-0
Poultry	+6	-0	-6	+6	-1	-6	+2	-2	-4
Processed products									
Pork Sausages	+5	-1	-6	+1	-1	-2	+0	-1	-2
Fresh Pre-packed Pork Pies	-3	-3	+0	-5	-3	+2	-0	+0	+1
Fresh Pre-packed Sausage Rolls	+5	+0	-4	+4	-1	-5	-1	-4	-3
Pork Sliced Cooked Meats	-2	-6	-4	-2	-5	-4	-2	-3	-1
Pork Chilled Ready Meals	+7	+5	-2	+10	+8	-2	+10	+10	+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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