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UK Census

The English pig herd decreased by 3% to 3.8 million head compared to a year earlier, according to Defra's June Agricultural Survey. In contrast, there was strong growth in the pig herd in Northern Ireland. However, as in a number of recent years, there are doubts about the accuracy of the reported figures. Analysis of the results can be found on **page 4**.

Feed conversion and weight gain

The performance of the GB pig herd improved slightly in the year ending June 2015, according to the latest data from Agrosoft, driven mainly by improvements in the feeding herd. In particular, Feed Conversion Ratios (FCR) improved but what is the relationship between FCR and weight gain and what is the optimum balance between the two? Turn to **page 5** for analysis of this question.

EU Census

The EU pig breeding herd declined slightly in the year to June 2015, according to provisional figures from Eurostat, but the overall pig herd increased by 2%. This suggests that growth in pig slaughterings should slow in the second half of this year and into next but no dramatic tightening of supplies can be expected. Read about the results in more detail and what they could mean for the pig market on **page 7**.

Spain

Spain has long had one of the EU's largest pig sectors and the latest census results show that its share of the EU herd is increasing. The growth of the Spanish pig herd is reflected in pig meat production figures, with output rising 9% in the first half of this year. Despite this, prices have mostly remained at or above the EU average. Read about how this has been achieved on **page 8**.

EU support package

Several reports have emerged in recent weeks about the problems facing not only the pig sector but agriculture in general. This cumulated in the introduction of a package of measures to support the farming sector, worth €500 million, by the European Commission. Find out more about the support package on **page 10**.

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Key data

	Aug-15	Change since Jul-15	Change since Aug-14
Average GB carcass weight - kg	80.06	+0.64	-
30kg weaner price - £/head	43.87	-0.42	-9.51
7kg weaner price - £/head	32.80	-0.05	-6.44
GB APP (Euro-spec) - p/kg dw	136.78	-0.40	-23.85
GB SPP (Euro-spec) - p/kg dw	132.45	-0.57	-25.68
EU Reference price - €/100kg dw	142.82	-1.43	-21.97
UK Reference price - €/100kg dw	183.57	-2.51	-9.17
UK weekly clean pig kill - 000 head	205.0	+4.5	+11.2
UK weekly pig meat production - 000 tonnes	17.1	+0.4	+1.0
UK pork imports - 000 tonnes*	32.1	+1.1	+2.9
UK bacon imports - 000 tonnes*	21.7	+0.6	-0.6
UK pork exports - 000 tonnes*	15.2	+0.6	-1.1
Retail pig meat sales - 000 tonnes†	52.6	-0.3	-0.5
LIFFE feed wheat futures - £/tonne	116.80	-6.90	-5.49
CBOT Soyameal futures - \$/tonne	336.03	-21.98	-70.23

* Figures relate to July 2015

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 16 August 2015

Interested in data? Get more detail about these and other areas from the [AHDB Pork website](http://www.ahdb.org.uk)

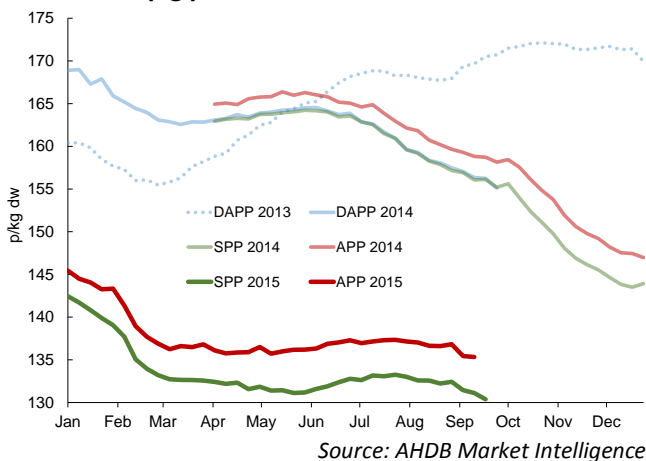
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UK Market Snapshot

Having increased slightly in June and July, GB pig prices eased back in August, with the EU-spec APP averaging 136.78p/kg, 0.4p down on the previous month. Some easing of prices is normal at this time of year as demand is reduced during the school holidays. Nevertheless, the market remained well balanced, with a spread of little more than a penny in prices over the last six months. Plentiful supplies, subdued consumer demand, a weak EU market and unfavourable exchange rate remain the main factors keeping prices low. The monthly price was 24p lower than the same month last year. Prices continued to fall in early September, with the APP for week ended 12 September reaching 135.33p/kg.

The EU-spec SPP followed a similar trend, falling by 0.57 between July and August to 132.45p/kg. The gap between the two series increased slightly to 4.33p and remains substantially higher than a year ago. Again, further price falls were seen into September, with the SPP standing at a new low of 130.38p/kg for week ended 19 September.

GB finished pig prices

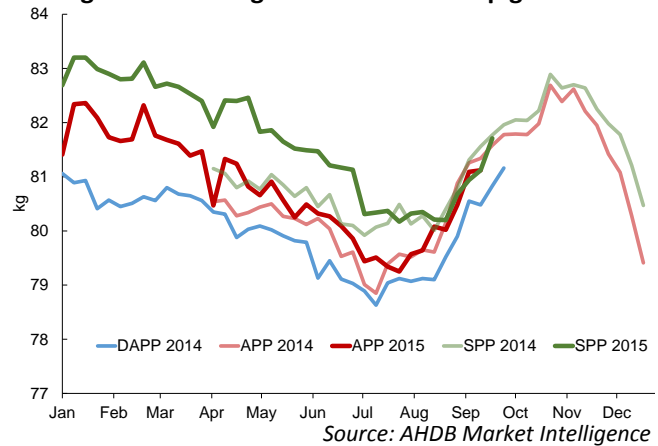


The weaner market also remains stable, albeit with prices at a low level. The monthly average prices for both 7kg and 30kg animals fell by a few pence again but both were within a pound of their level in March. At £32.80 per head, 7kg weaners sold for around £6 less than in August 2014, while the 30kg average of £43.87 was a bit under £10 down on the year. As well as the subdued finished market, limited accommodation was a factor in the reduced prices, although cheap feed will have provided some support.

The average carcass weight in the APP sample for August was slightly higher than in July but, at 80.1kg, was unchanged from the same month last year. This is the first time that the monthly average weight has not increased year-on-year since December 2012, when high feed prices meant pigs were being marketed at lower weight. With weights remaining below year earlier levels into early September, this suggests that fewer pigs are being rolled than last autumn, perhaps an indication that supply and demand are more closely aligned than they were then. Nevertheless, weights are

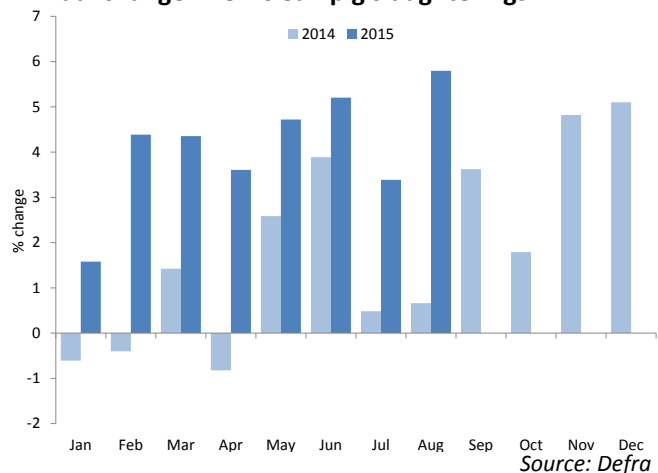
increasing in line with the normal seasonal pattern, with faster increases in the APP sample suggesting this is particularly the case for premium pigs.

Average carcass weights for GB finished pigs



UK pig meat production totalled 68,400 tonnes in August, a 6% increase compared with a year earlier. The number of clean pigs slaughtered in the UK reached 819,900, also up 6% on the year. The year on year growth in slaughterings was noticeable across the whole of the UK, with numbers in England and Wales up 6%, while slaughterings in Northern Ireland and Scotland showed smaller gains of 4% and 1% respectively. This means clean pig slaughterings in the UK have been consistently higher year on year since April 2014. Numbers in the first eight months of 2015 are at 7.0 million, up 4% on 2014. However, average carcass weights in August fell 0.1kg compared to a year earlier to 80.2kg.

Annual change in UK clean pig slaughterings

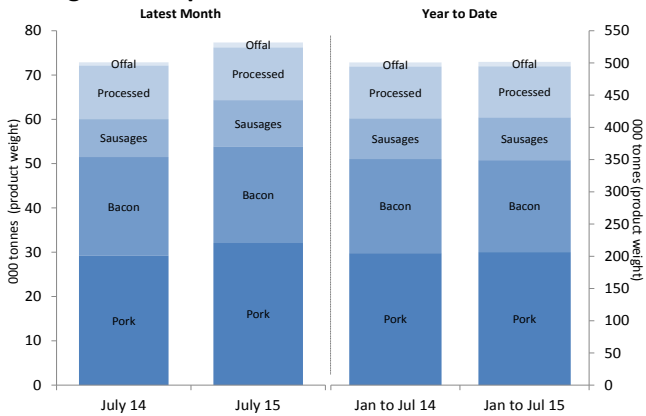


For the third consecutive month, sow and boar slaughterings were above the previous year's levels, with a 6% increase recorded in August at 18,300 tonnes. This was potentially due to low prices for finished pigs leading producers to scale back their operations. Overall pig meat production in August was up by 6% on the year, at 68,400 tonnes, following the increases in production from both clean pigs and sows and boars. This leaves production in the first eight months of the year up 5% at 592,300 tonnes.

UK Market Snapshot

In July the UK imported 10% more pork year on year at 32,100 tonnes, according to the latest HMRC trade data, reaching the highest level since December 2014. Volumes from the UK's largest supplier, Denmark, accounted for most of this increase, with volumes up by 14%. However, shipments from the second and third largest suppliers, Germany and the Netherlands, decreased by 6% and 2%. Imports for the first seven months of 2015 were 1% higher than the same period in 2014 but, with prices still well down on last year, the value of imports was down by 15% at £350 million.

UK Pig Meat Imports

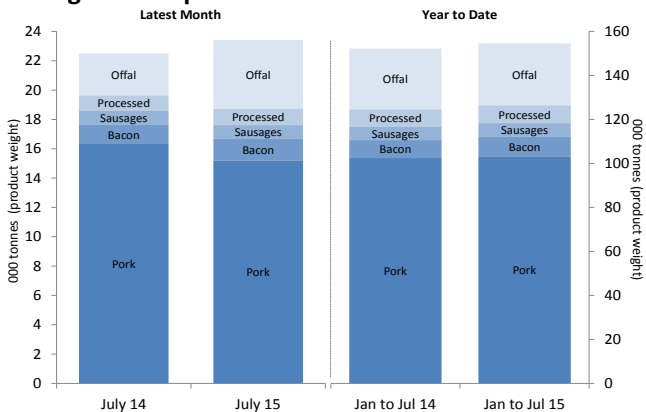


Source: Her Majesty's Revenue & Customs

Bacon imports in July decreased by 2% on last year to 21,700 tonnes, as a 28% fall in shipments from Denmark was not fully offset by higher shipments from the Netherlands and Germany. Imports of sausages increased by 23% year on year. Volumes from the Netherlands increased sharply while shipments from Germany declined. Processed pork imports, however, recorded a 2% fall in July.

Pork exports from the UK were down by 7% in July at 15,200 tonnes. Much of the fall was due to lower shipments to China, which were 35% down year on year. Volumes sent to the UK's largest market, Germany, were up by 13% on last July. Despite July's lower volumes, overall exports in 2015 to date were up 1% compared with 2014, at 103,000 tonnes. The value of exports decreased by 10% year on year in the first seven months to £106 million, due to unit prices being 12% lower, although in euros the price fall was only 1%.

UK Pig Meat Exports



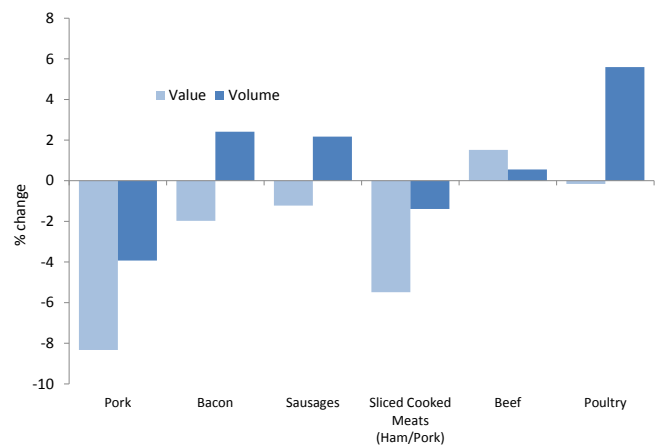
Source: Her Majesty's Revenue & Customs

Offal exports continued to recover in July, with volumes up 63% on the year. The majority of this increase was in volumes going to China, which more than doubled to 2,600 tonnes. Increases were also seen across a number of smaller markets in Asia, while volumes going to the Netherlands and Ireland were the only falls of the significant offal markets.

In the 12 weeks to 16 August 2015, the amount of pork purchased remained down on a year earlier, as shoppers continue to switch to categories such as fresh chicken and chilled ready meals, according to Kantar Wordpanel. There was less sold across nearly all cuts in this period, with pork belly, mince and leg joints contributing the largest losses.

There were fewer promotions in the supermarkets across most of the cuts this year. Pork chops/steaks not only saw an overall fall in promotional activity but a noticeable shift away from volume-driving Y for £X deals to price promotions. Roasting joints were down by 5% in volume terms in the Big 4 Multiples. Pork shoulder, which has been performing well of late, saw volumes fall by 4% on the year, as fewer households purchased the cut and the amount purchased per shopping trip was also down. A year on year fall in levels of promotional activity contributed to this.

Annual percentage change in retail meat purchases (12 weeks to 16 August 2015)



Source: Kantar Worldpanel

In contrast, bacon volumes were up as average prices fell 4% year on year. The Hard Discounters contributed the majority of the gains. However, similar price falls did not prevent an annual decline in the amount of ham and other sliced cooked meats sold. Premium sausages again pushed overall sausage volumes up, as they were the only category to grow in the period. Heavy Y for £X promotions or price promotions in some of the major retailers were the main drivers of growth.

The share of the retail price received by producers increased marginally in August, reaching 35.5%, the highest point since February. During the month farmgate prices fell by less than 1%, while the average retail price saw a sharper fall of 2%. This leaves the measure four points back on August 2014, as farmgate prices remain well below levels from last year although retail prices were also lower.

UK Market Analysis

June survey results create uncertainty

The English pig herd decreased by 3% to 3.8 million head compared to a year earlier, according to the June Agricultural Survey figures published by Defra. In contrast, there was strong growth in the pig herd in Northern Ireland. The two regions account for over 90% of the UK pig herd. Scottish and Welsh pig numbers will be published later this year.

Pigs on English and Northern Irish farms - June

	England			Northern Ireland		
	2014	2015	% Change	2014	2015	% Change
Total pigs	3954	3826	-3	517	555	+7
Breeding pigs	411	413	+0	49	52	+6
Sows	284	284	+0	36	38	+5
In-pig gilts	46	43	-5	7	7	+8
Maiden gilts	70	72	+3	5	5	+6
Boars for service	12	13	+6	1	1	+5
Feeding pigs	3542	3413	-4	468	503	+7

Source: Defra, DARDNI

The decline in the total number of English pigs was mainly driven by the drop of 4% in numbers of feeding pigs in June 2015, compared to the previous year, to 3.4 million head. Numbers were back for all weight bands, suggesting a fall in pig slaughterings from June onwards. However, as in a number of recent years, there are reasons to doubt the accuracy of the reported figures.

Trends from the June survey in the two previous years have not been supported by subsequent slaughtering data. The 2013 survey recorded a 13% rise in feeding pig numbers but slaughterings in the following six months only rose by 4%, despite more Scottish pigs being moved to England for slaughter. The 2014 survey showed a 3% year-on-year fall in English feeder numbers but throughputs rose by 3% in the months that followed. Since the start of June 2015, clean pig slaughterings have remained up on a year earlier, with 104,000 (5%) more pigs killed in the following three months.

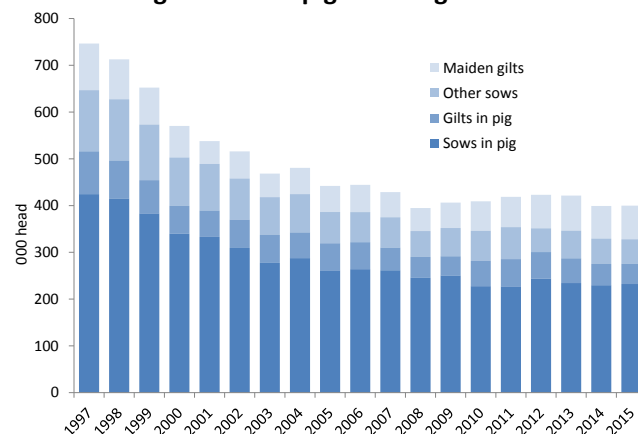
Unless there is a dramatic slowdown in slaughterings in the coming weeks, which no-one expects, the pattern of the previous two years looks set to be repeated. Therefore, this year's results should clearly again be treated with caution. Further supporting evidence is provided by compound pig feed production which was 1% higher than a year earlier between May and July 2015. This suggests more mouths to feed, especially as feed efficiency has improved (see page 5).

The apparent fall in the English feeding herd is partly offset by the 7% increase reported in Northern Ireland. This is more in line with slaughtering figures, which show a 4% annual rise in the kill in Northern Ireland at a time when imports of slaughter pigs from south of the border have fallen. Nevertheless, and even allowing for possible increases in the smaller Scottish and Welsh

herds, the English figures mean that the UK total will still be lower than last year.

Despite the fall in the overall pig herd, the size of the English breeding herd showed a small increase to 413,000 head. Within this, the active female breeding herd recorded a marginal decrease to 328,000 head. This is despite the number of sows in pig being up by 1% at 232,000 head; both gilts in pig and other (suckling/dry) sows were down, by 5% and 3% respectively.

Trends in English female pig breeding herd



Source: Defra

The reduction for in-pig gilts could partly be the result of producers retaining sows because of low cull sow prices, which were reflected in lower slaughterings of sows in the first half of the year. The ongoing weak finished pig market could also be impacting on producer decision making, with prices having slipped below the cost of production in the first half of 2015. However, the number of maiden gilts increased by 3% in the year to June, suggesting an upturn in replacements may now be taking place.

Overall, the breeding herd remains broadly stable, however, in line with the trend of the last decade or so. Again the Scottish and Welsh results are unlikely to change the situation. With little reason to think that the trend for steady productivity gains in recent years will change, this supports forecasts that the supply of UK clean pigs for slaughter will continue to rise in the coming year.

The upward trend in UK production in the last year or so has put pig prices under sustained pressure, since consumer demand for pork has not responded to the improving economy. Although the June survey creates some uncertainty with the lower figure for feeding pigs, taking all the available evidence into account, production growth appears set to continue. Therefore, the nature and level of demand will remain critical to determining how the market develops. Scottish herd figures are due to be published in October along with provisional UK estimates. Following this, more details on the outlook for supplies will be published in the next edition of Pig Market Trends.

UK Market Analysis

Balancing feed conversion and weight gain

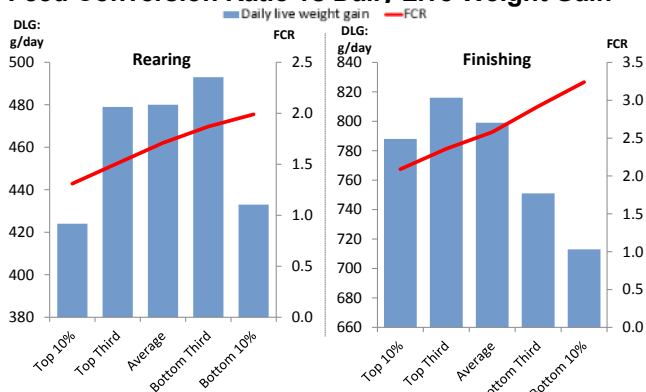
The performance of the GB pig herd improved slightly in the year ending June 2015, according to the latest data from Agrosoft. The average number of pigs weaned per sow per year was virtually the same as the previous year overall. Nevertheless, at 25.71, the indoor herd weaned 0.09 more piglets year on year but the outdoor herd weaned 0.12 fewer than a year previously, achieving 21.48 pigs weaned per sow per year. This small change was largely due to a decrease in the number of litters per sow per year for the outdoor herd, suggesting an increase in infertility. Both litter sizes and pre-weaning mortality improved slightly indoors and outdoors.

The increased performance in the last year was driven more by improvements with the feeding herd than the breeding herd. Certain key performance indicators for the rearing and finishing herds, such as the feed conversion ratio (FCR), improved in the year to June 2015 compared to the previous year. For the finishing herd, the FCR decreased by 3% from 2.66 to 2.58 with the rearing herd recording a more modest decrease of 1% year on year, to 1.71.

The feed conversion ratio is an important performance indicator for producers, given its influence on production costs. Improvements on the scale seen over the last year are enough to reduce overall production costs by nearly 2p/kg (£1.30 per head), even with the current low level of feed prices. To achieve the most efficient FCR producers need to feed the pigs just enough so that they gain muscle weight but not excess fat. Optimising this could mean compromising on daily weight gain and, hence, time to slaughter. To emphasise this, average daily weight gain in the rearing herd fell by 31g to 480g in the year to June, while in the finishing herd it was little changed at just under 800g/day.

Looking at the rearing herd in more detail, the top 10% of producers had an FCR of 1.31, 0.40 below the average. However, their daily weight gain was 56g below the average, at 424g per day. Therefore, their daily feed intake was less (570g compared with 750g) as well as the feed cost per kilogram of weight gain being lower. The feed cost per kilogram for the bottom 10% was 53% higher than the top 10%, despite there being little difference in the feed price they paid per tonne.

Feed Conversion Ratio vs Daily Live Weight Gain



Source: Agrosoft

In terms of finishing herd, the FCR for the top 10% of producers, at 2.09, was 0.49 lower than the average and 1.15 below the bottom 10%. The average daily feed intake for the top 10% of producers (1.55kg) was 31% less than the bottom 10% of producers and 22% below the average. Nevertheless, in this case the top 10% of finishers had a higher daily weight gain than the bottom 10% and only slightly less than the average.

Looking at things in reverse, the 10% of producers with the highest daily weight gains have an average FCR of 1.82, worse than the average, while those with the slowest growth have FCR close to the average. For the finishing herd, the top 10% for weight gain have an average FCR, while the bottom 10% have one which is slightly worse than average.

In interpreting these figures, it is important to take into account that producers have different production systems, for example transferring between stages at different weights. These differences may exaggerate the gaps between top and bottom producers but the point that good FCR is important to costs but doesn't necessarily mean fast weight gains, perhaps the opposite, remains clear.

Daily weight gain may be low due to a number of factors. For example the daily weight gain for the top 10% of the rearing herd (in terms of FCR) is relatively low. This would suggest that these producers are feeding sparingly so the pigs are gaining muscle rather than fat, probably producing a higher quality animal. On the other hand, the bottom 10% of the finishing herd also have a low daily weight gain. This suggests that these animals are eating a lot but burning it off or putting on fat rather than muscle, which could indicate poor management or disease issues.

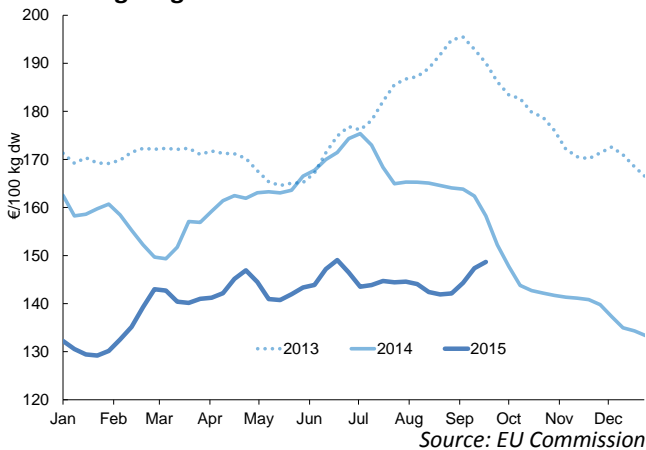
Of course, a lower daily weight gain will mean animals have to be kept and fed for longer. This, therefore, may mean that, even if the producer is achieving a lower FCR and feed costs, their other costs will increase. In particular, if the producers have to keep their stock for longer then they will require more housing, which may not always be available, or their production numbers will need to go down. Of course, it is also worth remembering that feeding is not the only aspect of herd performance, with measures such as mortality rates important too.

In conclusion, the balance between feed conversion ratio and daily weight gain is not clear cut. On one hand, a low FCR means less feed cost but on the other, if it means slower weight gains, keeping the animals for longer can lead to higher fixed costs and will require more housing. While a low daily weight gain could mean that the producer has a good FCR, it could indicate that there may be an issue with herd management or health. There appears to be no right or wrong answer and each farmer needs to work out the optimum balance for them. However, focusing on a single KPI could cause issues in other respects.

EU Market Snapshot

The EU average pig reference price as at week ended 20 September was up nearly €7 compared with 4 weeks earlier, at €149 per 100kg. Prices have edged up in recent weeks and are back to levels last seen in mid-June, having been mildly fluctuating but with no clear direction during the summer. Despite this small increase, the average price is still down by around 6%, or €10 per 100kg, on the same week last year. Increased supplies so far this year have been met by demand which has been weak both within and outside of the EU, although exports have picked up lately.

EU Average Pig Reference Price



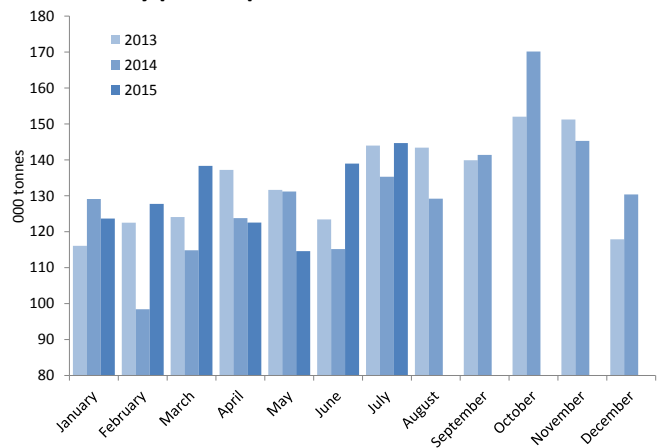
In recent weeks, prices in northern Europe have been performing better than in southern Member States. For example, over the latest four weeks, the German price rose by €12 and the Danish by €6 but Spanish and French prices fell by around €4 and €2 per 100kg respectively. The end of the holiday season will have had some influence, reducing demand in the south but supporting it further north.

The gap between the UK price and the EU average has narrowed slightly in euro terms, to around €27 per 100kg, having been €42 per 100kg in mid-August. In sterling terms, the gap narrowed from 30p/kg to 20p/kg over the same period.

EU pork exports in July were up by 7%, at 144,700 tonnes, following a large increase in shipments to China, continuing the trend seen for much of 2015. This is not only above the level in July 2014, which was affected in the Russian ban, it is also higher than the same month in earlier years. Volumes going to China saw the largest gains, up 80% to 42,700 tonnes, while shipments sent to Japan declined by over a quarter. Shipments to South Korea also increased, while volumes going to Australia, the US, the Philippines and Hong Kong all fell.

The weakness of the euro continued to give EU exports a competitive advantage over product from other major exporters. Prices were 24% lower than July 2014 in US dollar terms, while in euro terms they were only down 7%. This left the overall value of exports only marginally lower than the previous year at €326 million.

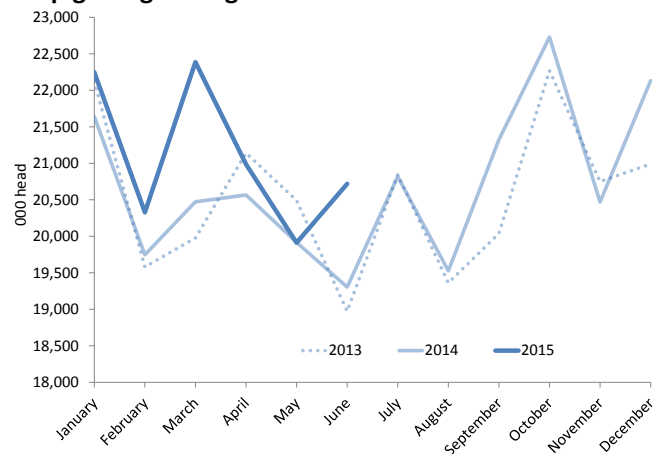
EU monthly pork exports



Exports of offal were also up in July, increasing by 17% on the year at 104,200 tonnes. Again this was driven by large increases in volumes going to China and South Korea, while shipments to Hong Kong and the Philippines decreased.

The number of pigs slaughtered across the EU in the first half of 2015 was up nearly 5 million head (4%) on a year before, according to Eurostat. Rising output was expected following the increase in the EU breeding herd in 2014 but the growth reported is higher than in most forecasts. All the major producers increased throughputs, led by Spain, where 8% more pigs were killed. There was a similar rate of increase in the Netherlands, German throughputs were up 2%, while France and Denmark killed 1% more pigs. With carcase weights also slightly heavier, total pig meat production during the six months was up 5% at 11.4 million tonnes.

EU pig slaughtering trends



Growth continued in June, with slaughterings across the EU up 7% on the same month last year, at 20.7 million head. Even allowing for an extra working day during the month this year, this confirms that supplies remained plentiful. At 10%, growth in Spain remained key but there were also double digit percentage increases in France and Poland, among others. Pig meat production during the month was up even more, being 9% higher on the year at 1.9 million tonnes.

Global Market Analysis

Mixed trends in EU's pig herds

The EU pig breeding herd declined slightly in the year to June 2015, according to provisional figures from Eurostat, but the overall pig herd increased by 2%. Only some countries carry out surveys at this time of year but they include all the major producers and account for over 90% of the pig herd, so the results should be representative of the whole EU.

Overall, there was virtually no change in the number of sows reported. However, both in-pig and maiden gilt numbers were lower, by 3% and 2% respectively. While the latter figures may indicate some reluctance to replace sows, the results suggest that producers have been able to withstand the low pig prices over the last year better than expected.

EU pig census results*, May/June

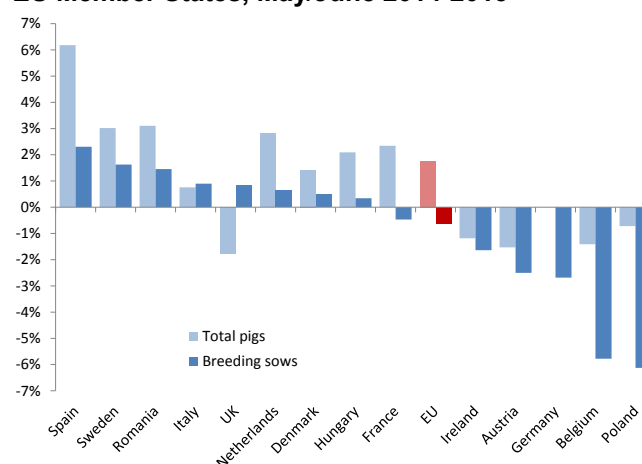
	2014	2015	% change
	000 head		
Total pigs	136,401	138,798	+1.8
Female breeding herd	11,546	11,472	-0.6
In-pig sows	6,582	6,580	-0.0
In-pig gilts	1,479	1,429	-3.4
Other sows	2,159	2,159	+0.0
Maiden gilts	1,325	1,303	-1.7
Boars for service	172	170	-0.9
Other pigs	124,683	127,155	+2.0
Under 20kg	41,324	41,762	+1.1
20-50kg	30,257	31,276	+3.4
50-80kg	25,821	25,954	+0.5
80-110kg	21,093	21,935	+4.0
110kg or over	6,192	6,229	+0.6

* Figures cover 14 Member States, including all major pig producers
Source: Eurostat

Although there was little change overall, breeding herd trends varied between Member States. At one end of the scale, Belgium and Poland both recorded 6% falls in their breeding herds. Germany was among other countries with fewer sows, which is potentially significant given how influential the country is in determining the direction of the EU pig market. The German figures suggest that little growth in production can be expected in the coming year but may not be sufficient to tighten supplies dramatically.

Several other sow herds increased, including the Spanish one, which grew by 2%, the fastest rise among the Member States carrying out surveys. This reinforced its position as the EU's largest breeding herd with 2.4 million sows, nearly 400,000 more than Germany. Imports of weaners mean that Germany retains the largest pig herd overall, although the Spanish herd is now only 4% smaller. Among other leading producers, Denmark, the Netherlands and France all recorded only small changes in their breeding herds, despite the poor profitability of breeding farms reported during the year.

Annual change in pig and sow numbers in selected EU Member States, May/June 2014-2015



Source: Eurostat

The small decline in the breeding herd suggests that growth in pig slaughterings should slow in the second half of this year and into next but no dramatic tightening of supplies can be expected. The likely slowdown in production is backed up by the figures for the rest of the pig herd. Non-breeding pig numbers were up nearly 2% overall but piglet numbers (under 20kg) were only 1% higher. Both are lower than the 4% rise in pig slaughterings in the first half of 2015. However, even this more modest growth in output is likely to keep prices under pressure, given that consumer demand remains subdued as economic uncertainty continues.

Herd growth was driven by a 6% rise in the Spanish herd, which accounted for nearly two-thirds of the overall increase. The EU's five largest herds all recorded rises, however, although some of the smaller ones, such as those in Poland, Belgium and Ireland, did decline.

The results will disappoint producers hoping for signs of a tightening of supplies which would provide support to prices. Production growth looks set to be slower in the second half of this year and into next, which may be sufficient to prevent much more erosion of prices. Any pick-up in demand could even mean some upward price movement at times. However, there is little sign of any real tightening of supplies, at least over the next few months. This suggests that a return to the high prices recorded in 2012 and 2013 is unlikely for now. If prices remain low, however, we might yet see bigger reductions in the breeding herd in the future.

With these results suggesting that EU prices will remain subdued, there seems little prospect of them providing support to UK prices. Therefore, the domestic market situation will remain the key determinant of price trends at home. The short-term supply situation in the EU will be clearer following a meeting of the EU Commission's pig meat forecast working group next month, the results of which will feature in the next edition of Pig Market Trends.

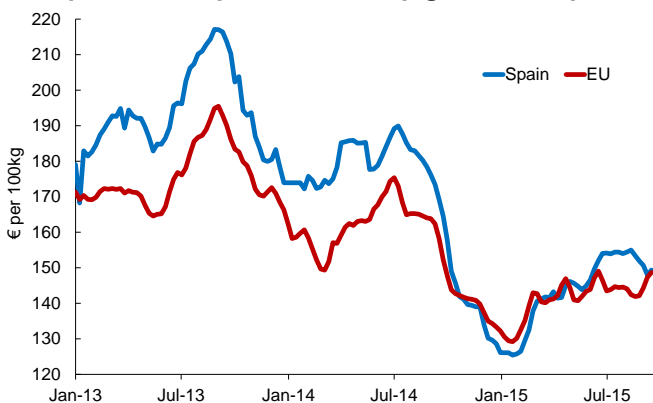
Global Market Analysis

Spanish pig sector continues to grow

Spain has long had one of the EU's largest pig sectors and the latest census results show that its share of the EU herd is increasing. Its sow herd has been the biggest in Europe for many years and has increased further over the last two years. At 2.4 million head in June 2015, Spain had over 170,000 more sows than two years before. During the same period, the total pig herd increased by nearly 10% and is now only 4% smaller than the German herd, the EU's largest.

One of the reasons for the strong growth of the Spanish industry is that pig prices were well above the EU average for most of 2013 and the first half of 2014. They did fall even more sharply than in the rest of Europe during late 2014 and by the turn of the year were below average. However, over the summer, prices have again been above average. This is a regular seasonal development, as the holiday season shifts demand from north to south, following the flow of tourists. Since the end of the holiday season, Spanish prices have fallen back again to be close to the EU average.

Comparison of Spanish and EU pig reference prices



Source: EU Commission

In addition to having high prices, figures from InterPIG, a group of pig economists, show that production costs are low. In 2013, the latest year for which figures are available, Spanish production costs were the lowest among the major EU producers, averaging €1.64 per kg. Although this is partly because of lower building and labour costs, the vertically integrated nature of much of Spanish production also helps to control costs. The relatively high prices and low costs mean that Spanish producers have been profitable more often than their counterparts in many other EU countries, encouraging them to expand.

The growth of the Spanish pig herd is reflected in pig meat production figures. During 2014, Spain produced 3.6 million tonnes of pig meat, 6% more than in 2013. In the first half of this year, output has risen by a further 9%, suggesting full year production may be close to 4 million tonnes. A decade ago, Spain produced little over 3 million tonnes of pig meat and volumes are now double those of the early 1990s.

Only a small proportion of the extra pork is destined for

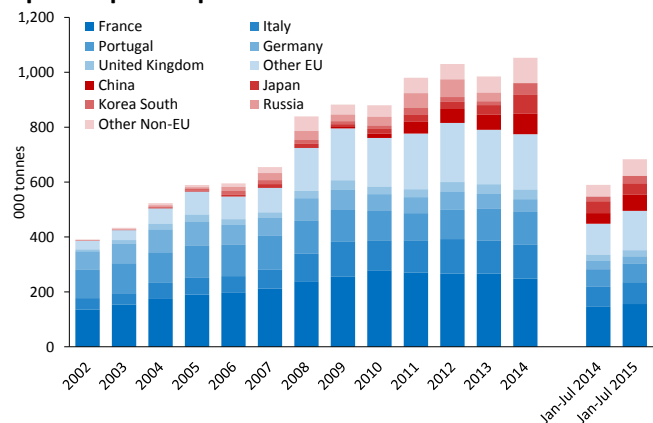
the domestic market. According to the Spanish agriculture ministry, fresh pork sales fell 1% in 2014, while 7% less processed meat, mainly pig meat, was purchased that year. Frozen meat sales were also sharply lower. Having said that, pork fared better than other meats as Spanish consumers are still feeling the effect of the recent economic problems.

So far this year, the picture is slightly more positive, with fresh pork sales up 3% year on year between January and July, when it was the only major meat category showing growth. Processed and frozen meat sales were still subdued, however, falling a further 6% and 10% respectively.

With the domestic market still subdued, most of the extra production has been destined for export. Spanish pork exports have risen for more than a decade, although tighter supplies in 2013 meant a slight fall that year. Having been under 400,000 tonnes in 2002, they have more than doubled to top 1 million tonnes last year. This was 7% (or 68,000 tonnes) higher than the previous year and a new record.

Export growth in recent years has been driven by non-EU markets, as volumes sent to other EU countries have been broadly stable since 2009. At that point, third country exports made up only 10% of Spanish shipments; by 2014 that proportion had risen to over a quarter. All this has come despite the loss of the Russian market, which was the biggest non-EU buyer of Spanish pork until 2012. Asian markets such as China, Japan and Korea have more than filled the gap.

Spanish pork export trends



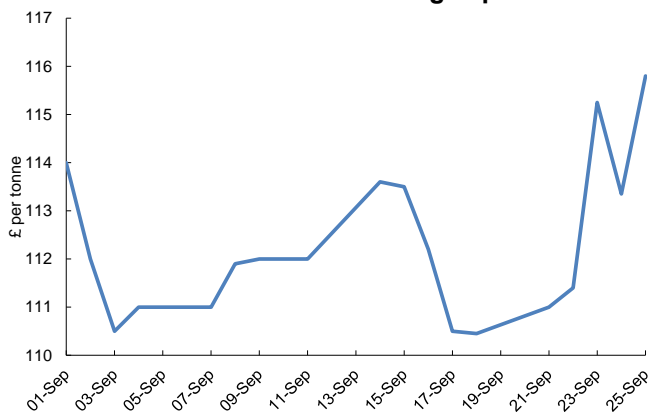
Source: Agencia Tributaria, GTIS

The successful growth and diversification of the Spanish export trade has continued, perhaps even accelerated, this year. Exports were up 16% on a year earlier in January to July 2015, overtaking Denmark as the world's third largest pork exporter. Nearly a third was destined for non-EU markets. The Spanish industry's ability to grow its exports goes a long way to explain how it has been able to keep prices at or above the EU average despite production growth. With the census results suggesting output will increase further, it will be crucial that Spain can maintain its export success.

Feed Market

UK Nov-15 feed wheat futures prices closed at £115.80/t on Friday 25 September, up £1.80 since the start of September. Despite this increase in price, UK feed wheat futures (Nov-15) fell to a contract low of £110.45/t on 18 September. Chicago (Dec-15) wheat futures prices closed \$7.90 higher than at 1 September, at \$186.55/t on Friday.

Nov-15 UK feed wheat futures during September 2015



Source: AHDB Cereals & Oilseeds

Paris maize futures (Nov-15) closed at €165.25/t on Friday (25 September), down €1 since the beginning of the month. In contrast, Chicago maize futures (Dec-15) closed up \$7.87 since 1 September, at \$153.15/t on Friday.

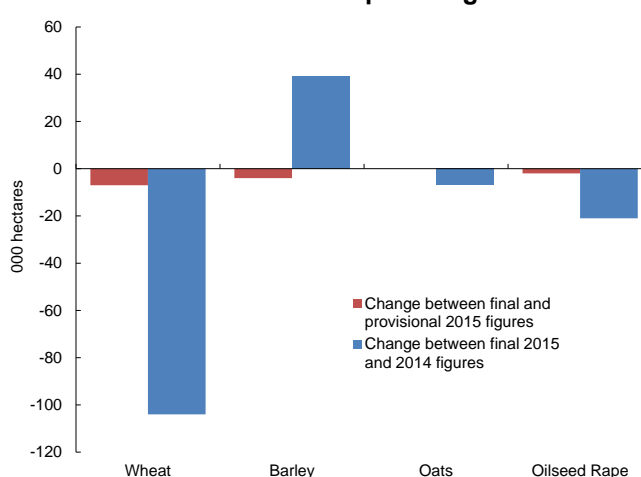
After some speculation, the Chinese government confirmed its intention to continue maize stockpiling into 2015/16. However, in an attempt to reduce feed grain prices for the benefit of the Chinese livestock sectors, the price offered by the government to growers will be 10% lower than 2014/15. This is likely to reduce the incentive to import alternative feed grains in the short term but, longer term, how Chinese farmers react to lower state prices will be key.

India, the key exporter of maize to Southeast Asia has experienced its first back to back droughts in 30 years. This is expected to cut India's summer sown maize output by 15%. While global maize supplies are ample, the decrease in availability from India could help underpin global prices for maize, which recently hit a 10 month low.

EU wheat output is forecast to reach within 1% of last year's record high, according to Strategie Grains. However, maize crop estimates were cut to an 8-year low of 57.4Mt, due to reductions in expected yields. Although wheat estimates have increased, wheat export prospects will be less strong in 2015/16, due to tough competition from Black Sea countries.

Defra's final June crop area figures for England were released this month, recording little change from the provisional figures released last month. Nevertheless, the total area of cereals in 2015 has decreased by 2.3% year on year. Wheat recorded the largest reduction in area, falling to 1.69Mha compared to 1.8Mha a year earlier. Barley, however, increased by 5.6% year on year to 748Kha as at 1 June 2015.

Area of cereals and oilseed rape in England at 1 June



Source: Defra

Nov-15 Chicago soyabean futures closed at \$326.71/t last Friday, up \$5.60 since 1 September. Paris rapeseed futures prices (Nov-15) closed at €369.75/t, up €8.25 on the month. On Friday 25 September, UK delivered rapeseed (November, Erith) was £265.50/t, up £4 compared with 4 September.

As at 20 September, 7% of the US soyabean area was harvested. Progress currently remains in line with the five-year average and ahead of last year. While the exact size of the US crop remains unknown, the nearness of renewed supplies may remove some risk premium from the market.

Expectations for the 2015/16 Brazilian soyabean crop were upgraded by local analysts Safras & Mercado; planting has just begun in Brazil. At 100.5Mt, the projection is 0.7Mt higher than predicted in July due to a larger expected area.

China imported 29% more soyabeans in August 2015 than August 2014. This takes total imports by the country in 2014/15 (Sep-Aug) to 76.1Mt, up from just over 70Mt the previous season but slightly below the USDA's forecast of 77Mt. In the short term, import demand from China looks to remain strong, which should could support prices. US exporters reported large sales to China for 2015/16 on both Wednesday 16 and Thursday 17 September, totalling 482Kt. However, total US export commitments for the current season continue to lag behind recent years.

The Ukrainian rapeseed area planted looks likely to fall for harvest 2016 following dry weather at planting. While still early days, lower production from this key exporter of rapeseed could impact global availability next season.

Defra's final crop area figures for England show that the total area of oilseed crops declined by 3% year-on-year. While the overall area decreased slightly, the area of spring planted oilseed rape more than halved from 13Kha in June 2014 to 6Kha in June 2015. Winter oilseed rape recorded a more modest decrease of 2% compared with last year.

In Brief

Measures to ease pressure on EU pig market announced

Several reports have emerged in recent weeks about the problems facing not only the pig sector but agriculture in general. This cumulated in the introduction of a package of measures to support the farming sector, worth €500 million, by the European Commission on 7 September. Particular reference was made to the dairy and pig meat sectors. For pig meat this included a proposal to open a new private storage aid (PSA) scheme and an increase in the budget for promotion. An assessment will also be undertaken of what additional resources can be provided to help eradicate African Swine Fever.

For the dairy and pig meat sectors there will be a direct aid package worth €420 million, of which €36 million has been allocated to the UK. Member states have flexibility as to how funds are to be allocated between the two sectors. It has also been proposed that a pig market observatory be set up by the Commission to enable more timely monitoring of the market, similar to the one already in operation in the [dairy](#) sector.

Private Storage Aid has already been opened this year in the spring, when 63,000 tonnes was contracted in the EU as a whole but was not widely used in the UK. When final details are announced it is expected that the new scheme, unlike the previous one, will include some low valued cuts, such as fresh lard. Such cuts have been particularly affected by Russia's pig meat import ban. It is also understood that the storage aid rate will be increased by 20% and that there will be no ceiling on the quantity contracted for. Uptake will be monitored on a regular basis to assess what impact it has on the market.

The cumulative impact of ongoing lower pig prices year on year, in spite of favourable feed prices, is starting to bite hard, with producers having major cash flow problems. The situation is being exacerbated by outbreaks of ASF in the Baltic States and Poland. In Germany both breeders and finishers are in a loss making position, especially the former, with both finished pig and weaner prices well below last year's levels. According to reports from the Netherlands, 20% of producers are in difficulty. The situation has also reportedly become very difficult for Belgian, French and Italian producers.

Irish pork exports at a record level

In the first half of 2015, Ireland exported a record 79,200 tonnes of pork, up 11% on 2014. The value reached €175.9 million, up just 3% on the year, as the average price fell 7%. The overall increase was largely due to pig slaughterings in Ireland being up 8%, combined with the weak euro. Export volumes to the rest of the EU were up 23%. In contrast, shipments to non-EU countries were down 7%, as sales to Japan fell sharply. Exports of pig offal were up 45% at 12,000 tonnes.

Global pork prices begin to rise but remain very weak

Global pork prices reached a low in April before increasing in May and stabilising in June, but prices remain well below levels seen in 2013 and 2014. Developments for all major exporters have been similar. Prices began falling in mid-2014 and continued to decline until they reached the lowest level for at least five years in April. The total volume of pork shipped from the four main exporters fell by 1% in the first six months of 2015 but production has increased, coinciding with reduced demand from some of the world's largest importers.

Marginal rise in producer share of pork retail price

The share of the retail price received by producers increased marginally in August reaching 35.5%, the highest point since February. During the month farmgate prices fell by less than 1%, while the average retail price fell 2%. This leaves the measure 4 points back on August 2014, as farmgate prices remain well below last year's levels, although retail prices were also lower.

Quarterly Consumer Category Report published

The latest edition of AHDB Pork's Consumer Category Report for pig meat was published earlier this month. The report contains a wide range of information about the retail performance of the main pig meat categories, particularly in the 12 weeks up to the 19 July. It also covers wider consumer trends and recent developments in the pig market. To read the Consumer Category Report, [click here](#).

Book now for Grain Market Outlook

Bookings are still open for AHDB Cereals & Oilseeds annual Grain Market Outlook Conference. It takes place on Wednesday 14 October in London. For more details and to book a place at the conference, [click here](#).

Read more about these and other stories in Pig Market Weekly. To view past editions or to subscribe, [click here](#).

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