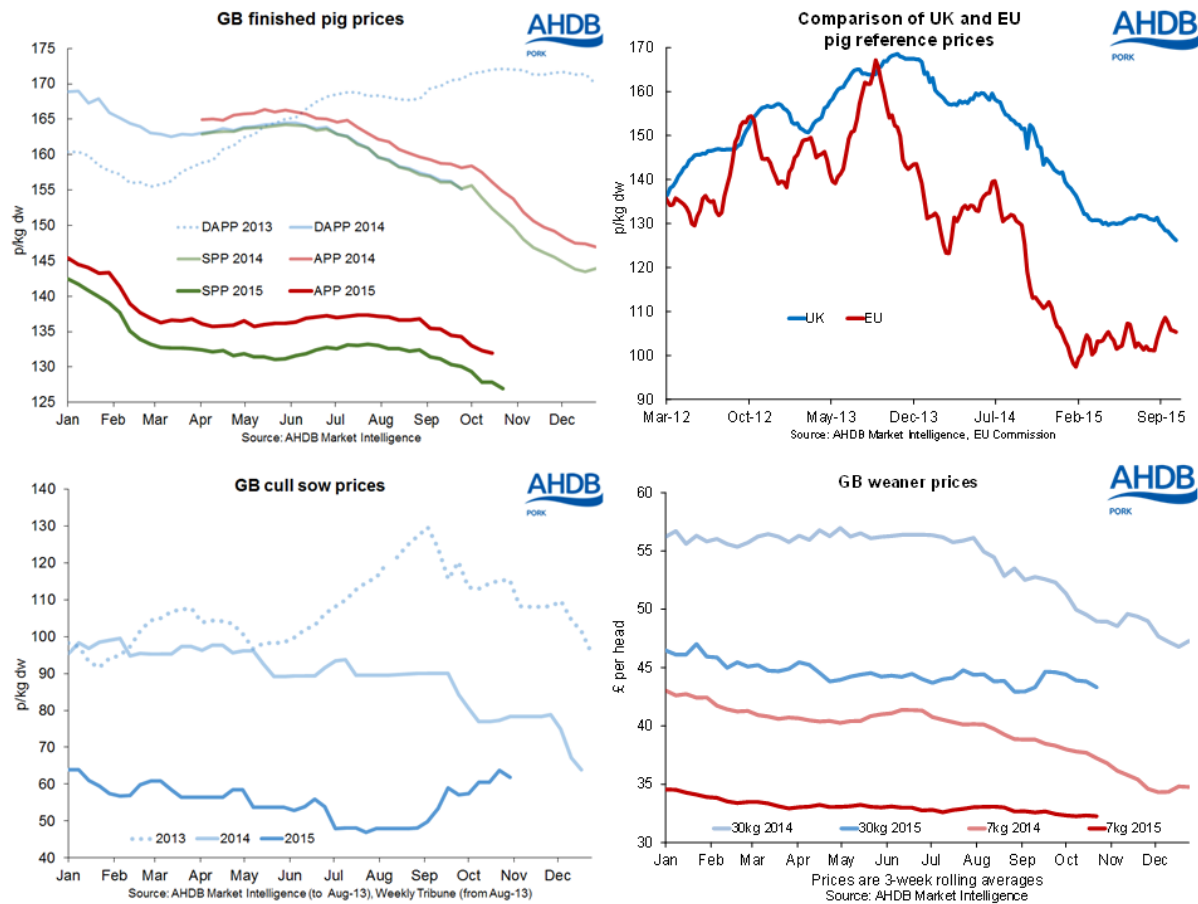


UK PRICES

The EU-spec APP averaged 134.88p/kg in September, the lowest monthly average since the APP series began in April 2014 and 1.90p down on the previous month. Prices continued to decrease in the first two weeks of October, falling to 132.34p/kg in week ended 10 October. Not only is this price the lowest since the APP started in April 2014, compared to the DAPP series that ended in September 2014, it represents the lowest price since January 2009. The weak euro against the pound and low EU prices mean imported pig meat is cheaper than domestic meat, keeping GB prices low. High supplies, combined with the Russian import ban and the Chinese economy easing are contributing factors to the weakening of the EU market.

The EU-spec SPP recorded a similar fall in September, with a monthly average of 130.75p/kg, down 1.70p month on month. While the gap between the two series decreased slightly to 4.13p/kg, it remains above the 4p threshold. Prices in October followed the downward trend, with the SPP hitting a new low of 127.84p/kg in week ended 17 October.



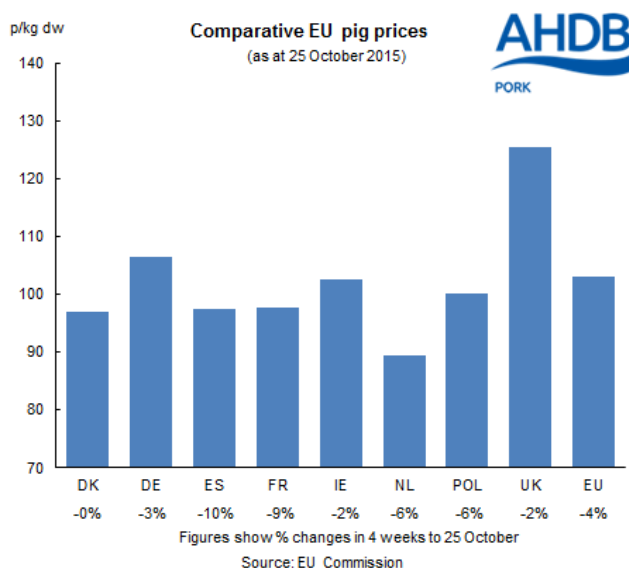
In September, the average carcass weight in the APP sample increased on the month to 81.21kg, a 300g decrease from the same month in 2014. This is the first time that the monthly average carcass weight has decreased year on year since December 2012. While feed prices in December 2012 were high, meaning pigs were being marketed earlier, in September feed prices were relatively low. This suggests supply and demand were better balanced than a year before, when there were widespread reports of pigs being rolled by processors. The average carcass weight remained close to year earlier

levels in the first two weeks in October. However, weights are following the usual seasonal increasing pattern seen in previous years.

Despite the lower pig prices, the weaner market appears to have remained stable. The monthly average price for 7kg weaners recorded a slight month on month decrease in September of 11p to £32.69 per head. However, the monthly 30kg weaner price increased by 50p on the month to £44.37 per head. Compared to September 2014, 7kg weaners sold at under £6 less, while 30kg animals were worth £8 less.

EU PRICES

Having recently attempted to push above €150 per 100kg for the fourth time this year, the EU average pig reference price has again fallen back, as there was insufficient demand to justify the higher price at current levels of supply. By week ended 18 October, the average price was back to just over €142 per 100kg, close to the average for the year to date. This is now less than a euro below the price a year ago, the smallest gap since June 2014. Four weeks earlier, the price had reached nearly €149, the second highest quote of the year but this price level couldn't be sustained. With EU pig supplies remaining relatively plentiful and consumer demand subdued, the market is still pressured.



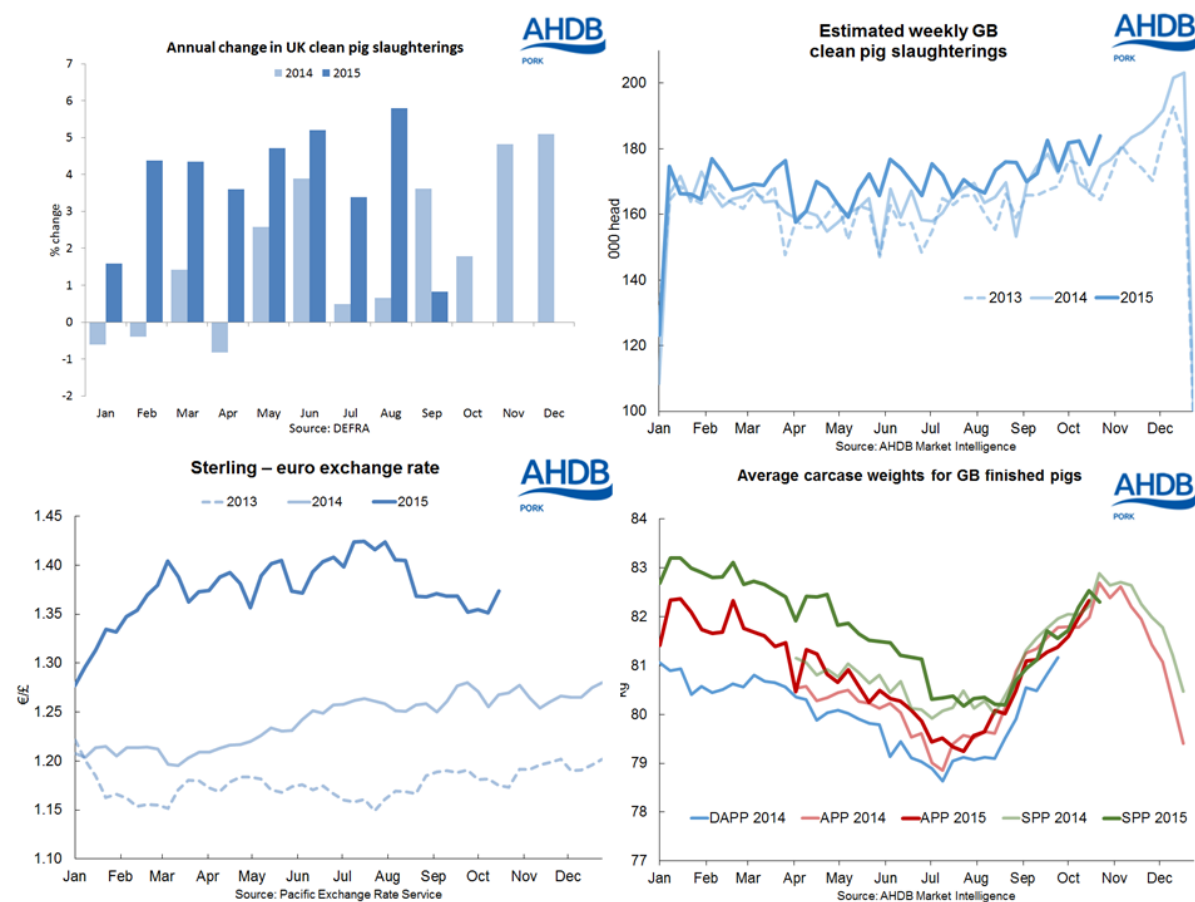
While most major producers recorded falling prices over the last month, the drops were most severe in southern member states. For example, Spanish prices dropped by over €11 per 100kg in the four weeks to 18 October, while Italian and French quotes were also down by €11. Further north, prices in Germany were only €6 lower over the same period, while Dutch and Polish ones fell slightly more. However, the overall weakness wasn't replicated in Denmark, where prices in the latest week were unchanged over the last month. With a slight strengthening of the euro against the pound, the gap between UK and EU reference prices narrowed slightly, to below €29 per 100kg (21p/kg) in the latest week.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK pig meat production totalled 70,200 tonnes in September, a 1% increase compared to the same time a year earlier. The total number of clean pigs slaughtered in the UK recorded a minimal increase of 1% year on year, to 828,600 head. Northern Ireland recorded the largest increase of

slaughterings in September, of 3% year on year, with marginal increases in the rest of the UK. The number of clean pigs killed in the first nine months of 2015 was 4% up on 2014 at 7.8 million head. UK pig meat production was also up, by 5% year on year to 662,500 tonnes, up to the end of September.

Sow and boar slaughterings in September recorded an 8% increase compared to the same point in 2014, at 20,300 head. This is the fourth consecutive month that cullings have been above the levels seen last year. While it may be that the increase in slaughterings is due to lower profitability for producers, it could potentially be due to a higher replacement rate of older sows amongst the UK breeding herd. Nevertheless, sow and boar slaughterings for the year to date were down by 1% on the year at 183,100 head.



UK imports of pig meat increased in August, compared with a year earlier, according to latest figures from HMRC. Pork imports were 8% higher than in August 2014 at just over 30,000 tonnes, the highest figure for August since 2008. This is the third consecutive month with rising imports. If this trend continues, it could put further pressure on UK pig prices, especially as the unit price was well down; the value of pork imports was 10% lower than a year earlier, at £49.2 million. Among the major suppliers, only the Netherlands sent less pork to the UK, with notable increases from Denmark, Belgium, both up 14%, and Spain, from where volumes were up by more than 50%.

Bacon imports were also higher, up 4% year on year, with lower Danish shipments offset by higher volumes from all other major suppliers. Again, the value of the trade was 10% lower, however, at £41.9 million. It was a similar picture for processed imports, with higher volumes but much lower prices than in August 2014. Strong sausage shipments from Germany and the Netherlands contributed.

After a weaker month in July, UK pork exports were 4% up on the year in August, at 15,100 tonnes. Despite the weak euro, sales to the rest of the EU were up 9% on the same month last year, with rising shipments to Ireland, Germany and several smaller markets. Exports to China were also well above August 2014, although this was more than offset by lower shipments to Hong Kong. Although unit prices were lower, the fall wasn't as great as for imports, so the value of exports was down just 3%, at £16.3 million.

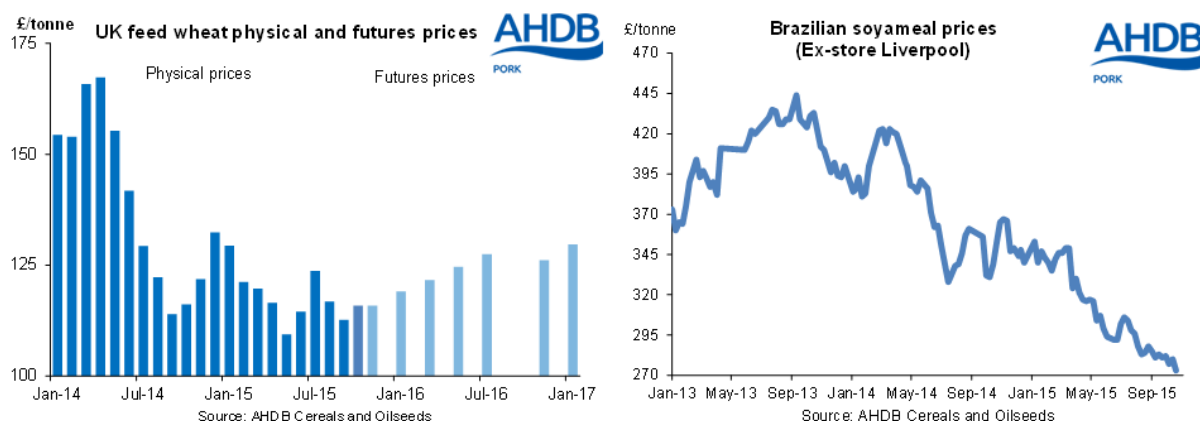
Although much smaller in volume, exports of bacon and sausages rose strongly in August. Offal exports were also much higher, with strong growth to both EU and non-EU markets. In particular, sales to China nearly doubled, only partly offset by lower shipments to Hong Kong.

FEED MARKET

Nov-15 UK feed wheat futures closed at £113.50/t on Wednesday 21 October, down £3.35 since 1 October. Despite the overall fall in price, as at 9 October they were at the highest price since the middle of August but by Tuesday 20 October, the closing price was the lowest for nearly a month. Chicago wheat futures prices (Dec-15) closed \$8.63 down compared with 1 October, at \$181.77/t on 21 October. Dec-15 Chicago maize futures followed the downward trend, closing at \$149.90/t on Wednesday 21 October, down \$3.15 compared to the beginning of the month.

The provisional data released on Tuesday 20 October by Defra shows that UK wheat, spring barley and winter barley yields reached new records in 2015. Wheat yields increased by 2.8% year on year to 8.8t/ha, while winter and spring barley increased by 4.4% and 2.3% to 7.5t/ha and 6t/ha respectively. It is important to remember these yields are calculated from the production and area figures but nevertheless they give a good indication of the trends.

AHDB Cereals & Oilseeds' Early Balance Sheet for wheat and barley was published on Tuesday 13 October. While the volume of total animal feed production is expected to stay the same or to be slightly lower, cheaper grain prices are anticipated to increase cereals use in animal feed production. The usage of wheat in animal feed is forecast to increase by 1%, due to its price competitiveness compared to other feed components. The proportion of barley used in animal feed in 2014/15 was relatively high and, assuming it remains competitive, barley demand in feed rations is expected to remain similar to last year.



Strategie Grains increased its 2015/16 EU wheat production forecast by 2Mt, to a record 149.5Mt. Wheat stock estimates have also been increased to 18.4Mt, 4.9Mt higher year on year. This follows a cut in demand as forecast wheat usage in animal feed was reduced by 500Kt, as the share of barley

and maize in animal feed is expected to increase. Strategie Grains also reduced forecast EU wheat exports, due to France losing out to the Black Sea nations on trade to North Africa.

One of the leading maize producers, Ukraine, had harvested just over half of its maize as at Friday 16 October, according to the Agriculture Minister. Ukraine is expecting to harvest 22-23Mt of maize this year, a decrease from 28.5Mt in 2014. Recent dryness in Ukraine and western Russia has caused concerns about this year's maize yields and next year's wheat crop. However, with wet weather forecast, this concern is likely to be short lived.

Chicago soyabean futures prices (Nov-15) closed at \$332.59/t on Wednesday 21 October, \$10.29 up since 1 October. Following the upward trend, Nov-15 Paris rapeseed futures closed €13 higher than at 1 October, at €381.75/t. UK rapemeal (34%, ex-mill, Erith) prices as at Friday 16 October had increased by £11 to £168/t, compared with the start of the month. However, Brazilian soyameal (48% ex-store, Liverpool), was at £280/t, down by £2 compared to Friday 2 October.

The main driver of rising oilseed prices in mid-October was encouraging signs of demand from China. The USDA reported private export sales of 235Kt of US soyabeans to China as at Wednesday 14 October. Furthermore, the latest US export sales data for soyabeans showed total export commitments for the week ending 8 October at the higher end of trade expectations.

On 9 October, the USDA published its latest world supply and demand estimates. US soyabean production was revised 1.3Mt lower than the September report, to 105.8Mt. The revision was at the low end of trade expectations, which created some support for oilseeds markets. The expected drop in production is a result of a smaller harvested area.

CONSUMPTION

Over the 12 week period ending 13 September, pork sales were down across all cuts except shoulder and 'other cuts' (due mainly to marinades). Pork continues to lose sales as consumers switch to chicken, chilled ready meals and main meal accompaniments. Year on year, levels of promotional activity by retailers were also down across most of the major cuts. Whilst overall sales were down, the Hard Discounters continued to buck the trend, accounting for a record 16% share of pork volume sales in the latest three months.

The amount of chops/steaks purchased continues to fall, despite lower average retail prices, and this resulted in a 9% drop in spending. An increase in roasting joint sales in the Hard Discounters was more than offset by declines in the Big 4 Grocers. However, pork shoulder enjoyed a 9% increase in volume sales, driven by a strong performance in the latest four weeks, when average prices were down by 10%.

Bacon volumes have remained stable compared with a year ago, as average prices dropped by 4% year on year. The Hard Discounters continue to perform strongly; by contrast, the Big 4 Grocers all saw sales decline. Premium sausages and low fat sausages were the only types to register growth in the latest 12 week period. Premium sausage growth was led by an increase in price promotions.

Falling farmgate prices throughout September led to the share of the retail price received by producers declining to 35%. Farmgate prices dropped by over 1% during the month, recording the largest change since March this year. Average retail prices remained unchanged from August, although they continue to be 2% behind the corresponding time period in 2014. The producer share

of the retail price is five percentage points below the figure for 2014, as farmgate prices have recorded a much steeper fall than retail prices.

Trends in retail meat purchases (period ended 13 September 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	+1	-1	-2	+1	-1	-3	-1	-3	-2
Pork	+2	-6	-8	-3	-8	-6	-5	-10	-5
<i>Belly</i>	+3	-1	-4	-10	-9	+1	-6	-8	-2
<i>Chops/Steaks</i>	-1	-8	-7	-2	-9	-7	-6	-11	-5
<i>Leg Roasting Joint</i>	-12	-26	-15	-14	-28	-16	-2	-13	-11
<i>Loin Roasting joint</i>	-26	-31	-7	-13	-13	-0	-12	-14	-2
<i>Shoulder Roasting joint</i>	+32	+18	-10	+9	+3	-5	+1	-5	-6
<i>Marinades</i>	+22	+29	+6	+17	+20	+2	+6	+4	-2
<i>Ribs</i>	+29	+18	-9	+13	+8	-4	+5	+3	-2
<i>Mince</i>	+7	-1	-7	-10	-18	-9	-2	-7	-5
Bacon	-2	-4	-2	+1	-3	-3	+0	-2	-2
Beef	-2	-2	-0	-1	-0	+0	-1	-0	+1
Lamb	+7	+3	-3	-0	-1	-1	-4	-5	-1
Poultry	+10	+5	-5	+7	+2	-5	+3	-1	-5
Processed products									
Pork Sausages	+0	-3	-3	+1	-2	-2	+0	-1	-2
Fresh Pre-packed Pork Pies	+7	+7	+0	+1	+4	+3	-0	+2	+2
Fresh Pre-packed Sausage Rolls	+10	+4	-6	+7	+1	-6	+3	-1	-4
Pork Sliced Cooked Meats	+2	-2	-3	-0	-4	-4	-1	-4	-2
Pork Chilled Ready Meals	-2	-2	-0	+6	+4	-2	+9	+7	-2

Q = quantity purchased, E = expenditure, P = price
Source: Kantar Worldpanel

This pig meat sector UK market update was prepared by:

Stephen Howarth and Lydia Hamer
AHDB Market Intelligence

Phone: +44 (0)24 7647 8856/8804

e-mail: stephen.howarth@ahdb.org.uk, Lydia.Hamer@ahdb.org.uk

Twitter: @HowarthStephen

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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