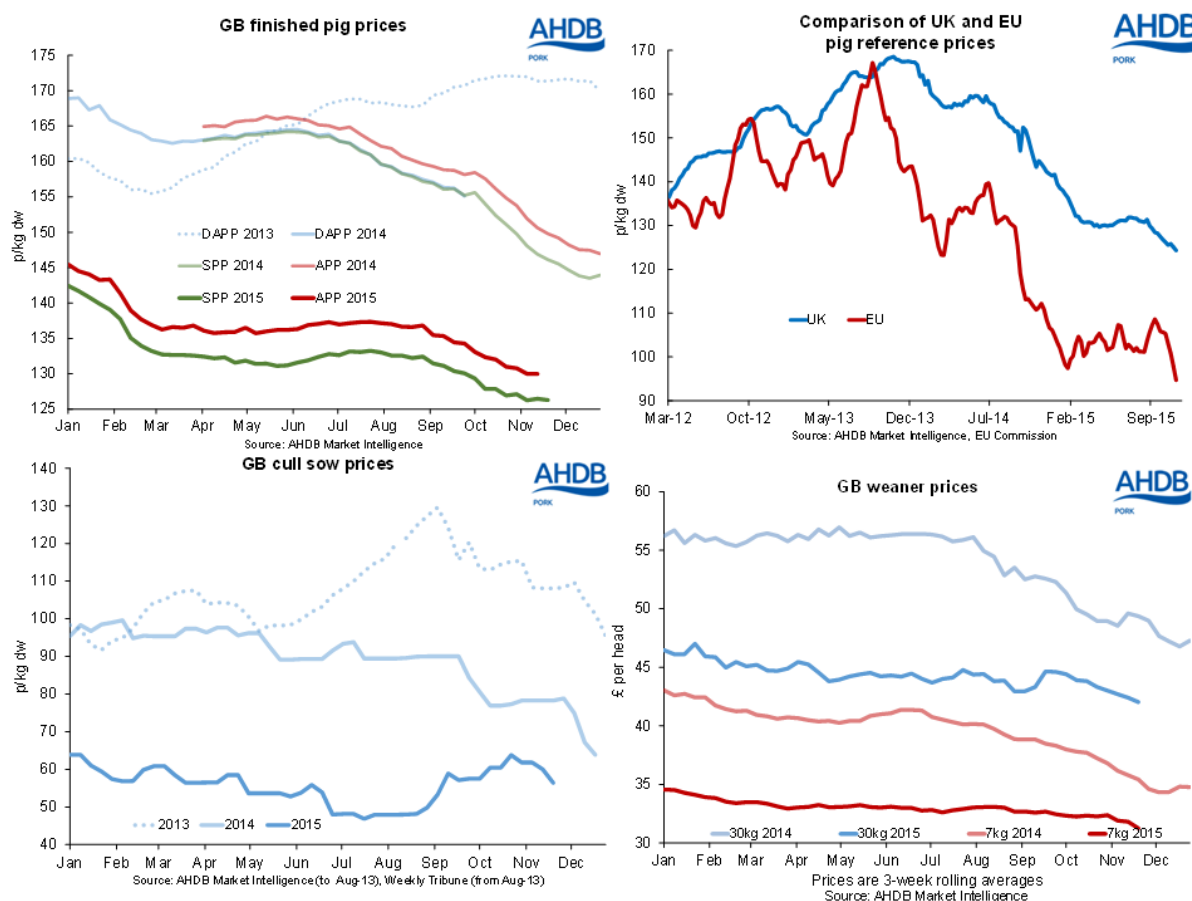


UK PRICES

The downward trend in GB finished pig prices, which began at the end of August, continued into October. Over the month, the EU-spec APP averaged 131.83p/kg, around 3p lower than in September and 24p down on a year before. The decline in prices this year was similar to that recorded in the autumn last year and indicates that plentiful supplies of pigs continue to run somewhat ahead of demand. At the same time, the ongoing weakness of the EU pig market, combined with some further strengthening of the pound against the euro, has kept pressure on domestic prices. These factors remained in place in early November, with the APP falling below 130p/kg for the first time at the start of the month.

As usual, the EU-spec SPP recorded a similar fall in October, with the monthly average of 127.81p/kg down just under 3p compared with September. The gap between the two series narrowed slightly in October, a trend which continued into early November, with the difference dropping below 4p. Despite a small rise in the week ended 14 November, the SPP stood at 126.47p/kg, around 20p down on a year before.



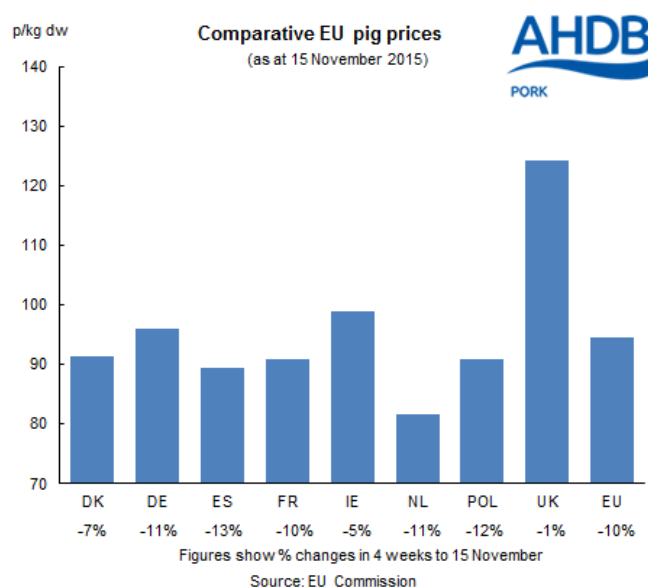
As is normal at this time of year, carcass weights were rising during October. The average weight of pigs in the APP sample during the month was 82.15kg, just under a kilo heavier than in September but virtually the same as in October 2014. There were fewer reports than last year of pigs being rolled due to a lack of demand but the availability of cheap feed is evidently still allowing producers to feed pigs to heavier weights economically. The heavier carcasses were accompanied by a slight

increase in probe measurements, to an average of 11.4mm, but this was below the 11.5mm recorded in October 2014.

The downward trend in finished pig prices was reflected in some softening in the weaner market. This was most obvious for 30kg store pigs, where the average price dropped by nearly a pound on the month to £43.40 per head. This is the lowest monthly price for three years, although cheap feed is helping to prevent larger falls. The October average was just under £6 lower than a year before. There was a smaller fall in the price of 7kg piglets, which dropped by 44p to £32.25 per head, around £5 lower than a year before.

EU PRICES

EU pig prices have started falling again since late September and by week ended 15 November had fallen for eight consecutive weeks, losing over €15 per 100kg during that period. At €133.41, the latest price was the lowest since February, although less than €8 lower than a year earlier. The pressure on prices comes as reports suggest that the number of pigs remains high and weights heavier. At the same time, consumer demand continues to be subdued, with the IARC report linking red meat with cancer reported to be contributing. Export demand has held up, however, due to strong sales to China. With the pound strengthening against the euro, UK prices have increased in euro terms in recent weeks. As a result, the gap between UK and EU prices has widened to €42 per 100kg (30p/kg) in the latest week.

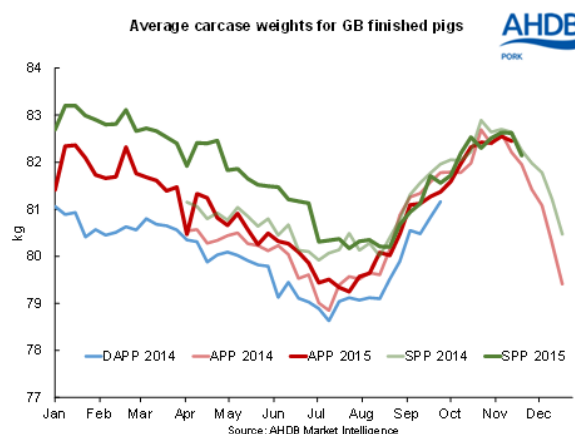
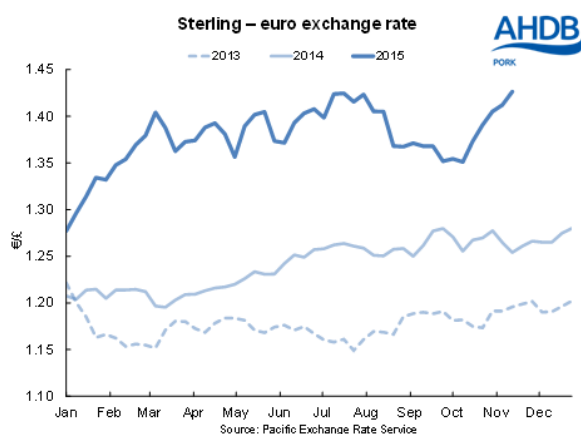
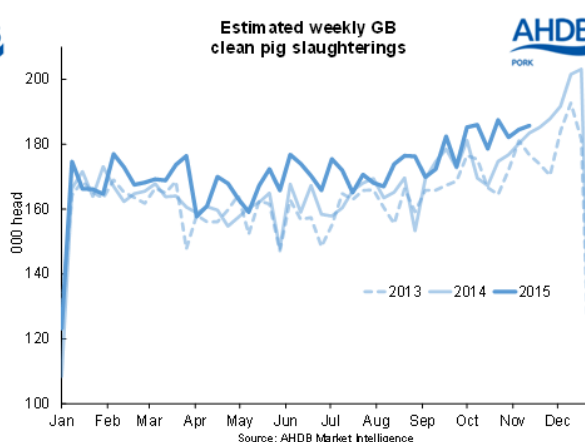
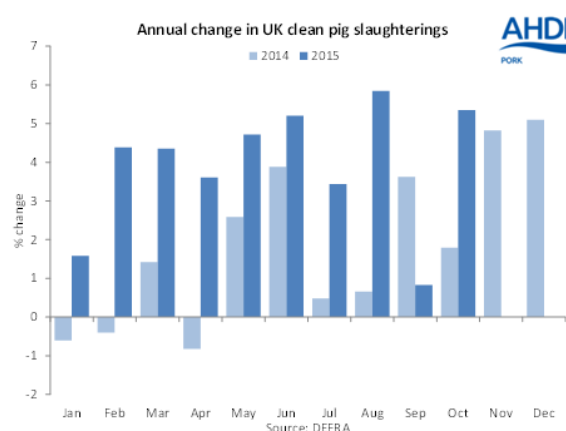


Until the last three weeks, prices in northern Europe had seen a few weeks of relative stability. However, since then, the German price has fallen by nearly €10 per 100kg, with an even larger drop in Poland and slightly smaller ones in other northern Member States. Even Denmark, which had escaped some earlier price falls, saw its quote drop by €4 in the week ended 8 November. Further south, prices were falling more consistently. The biggest drop in recent weeks was in Spain, down by €23 per 100kg in eight weeks. The French price declined by €20 over the same period, as disruptions to the Marche du Porc Breton auction continue.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

After a much smaller increase in September, UK clean pig slaughterings were up over 5%, compared with a year before, in October. According to figures from Defra, 1.09 million clean pigs were killed during the month, the highest October figure since 2000. The latest figures indicate that the productivity of the UK herd continues to improve, given that sow numbers are thought to be broadly stable. Some growth was recorded in all parts of the UK, although at 1% in Scotland and 3% in Northern Ireland, the rate of increase was lower than the 6% rise in England.

Average clean pig carcass weights during October were slightly lower than in October 2014, at 81.8kg. While this mitigated the higher slaughterings to some extent, there was also a rise in adult sow and boar cullings, which were 6% above the level a year earlier. Therefore, pig meat output was also up 5% at 92,500 tonnes. Despite being up on the year for a fifth month in a row, sow slaughterings remained within the normal range and there is little indication that low pig prices are having an impact on the breeding herd yet.



Following two months of strong growth, UK imports of pork decreased in September by 7%, compared with a year earlier, to 28,700 tonnes, according to the latest figures from HMRC. This is the lowest level of imports for September in over a decade. Nevertheless, for the first nine months of the year, imports were the largest amount over the same period of time since 2011, although only 1% up on last year. While volumes declined in September, the value of pork imports was also down, by 21% on the year, at £47.4 million, as unit prices were sharply lower.

Denmark, the largest exporter of pork to the UK, sent 6% less in September compared to a year before, while Germany exported 9% less. Imports from the Netherlands were also down, by 4% to 44,400 tonnes. The overall decline was mitigated by a sharp rise in imports of Spanish pork, which

were up by more than half over the last three months, with a similar growth rate in September. Bacon imports also fell in September, by 10%, with lower Danish shipments contributing to the drop. Once again, the value of trade for September declined, by 18% year on year. Processed and sausage imports did increase in September, with higher shipments from Germany and Ireland contributing.

In September, pork exports were slightly up compared to a year before, at 17,900 tonnes, with shipments to Denmark, likely for re-export, and smaller markets such as the US and Poland being contributing factors. Exports to China, the UK's largest market, decreased by 4% year on year, which may be an indication that its economy is easing. The total value of exports decreased again in September, by 11% to £18.8 million, compared to a year earlier. However, this is still the highest value since October 2014, as shipments rise seasonally at this time of year.

Pig offal exports had a very strong month and were up by 88% in September, with shipments to China more than doubling to a record 3,500 tonnes. Exports to Hong Kong were also up, albeit marginally, while sales to the rest of the EU rose by more than half.

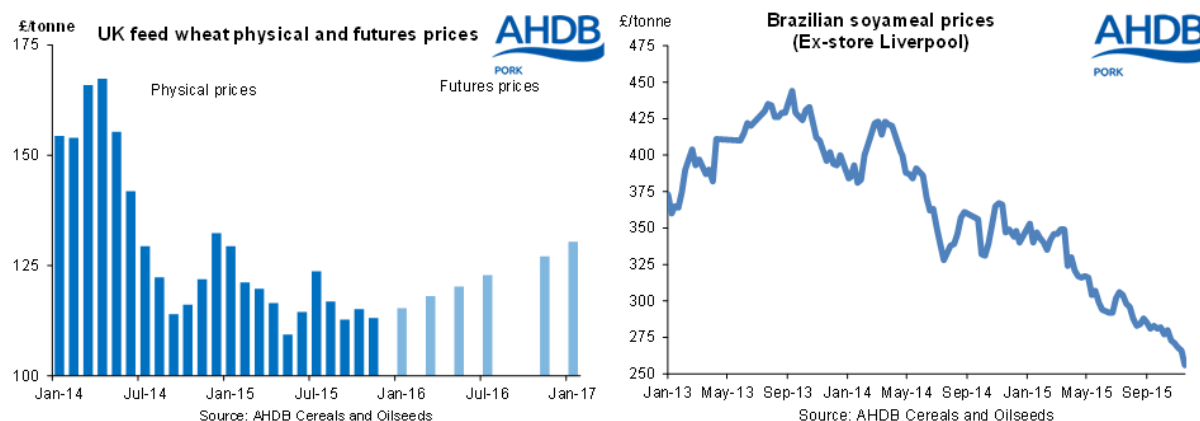
FEED MARKET

UK feed wheat futures have trended lower over the past month, with most of the decline in the past two weeks. The May-16 contract closed at £118/t on 18 November, down from £121.75/t on 21 October, a fall of 3%. Over the same period, Chicago wheat futures for May-16 also fell 3% to \$179.75/t, while the equivalent contract in Paris wheat futures gained just under 1% to €186.25/t.

Global maize futures also declined, pressured as the US harvest approaches its conclusion and by confirmation that European harvests were less badly affected by hot weather than previously thought. Chicago maize futures (May-16) fell 6% in the four weeks to 18 November to \$147.05/t.

The November USDA supply and demand estimates also revealed that the fundamentals for US and global maize are even heavier than markets had thought – reiterating the comfortable crop supply position that has characterised this season to date. The US maize yield estimate increased, taking production to 346.8Mt from 344.3Mt. The forecast for global maize closing stocks was increased by just over 24Mt, to 211.9Mt, largely due to an upward revision in the 2015/16 opening stocks figure, driven by increases for China.

EU wheat, barley and maize yield estimates for 2015 were all increased in the latest MARS Bulletin, following weather improvements towards the end of the harvesting period. The Commission also increased its forecast of EU maize production to 58.4Mt at the end of October, compared with 57.4Mt a month earlier, but still down 19.5Mt year-on-year.



Chicago soyabean futures (May-16) closed at \$318.35/t on 18 November, down \$7.53 since the start of the month. Paris rapeseed futures (May-16) have also moved lower but to a lesser extent, closing at €375.25/t, down €1.50 from 2 November's close. Tighter global rapeseed supplies relative to soyabeans, mean that the premium of Paris rapeseed futures over Chicago soyabeans is the highest since 2012/13. This is helping to limit declines in EU rapeseed prices but currency movements have pushed UK prices lower. In the month to 18 November, Paris rapeseed futures declined by €2.50/t but in sterling terms, the decline is around £9.70/t.

UK rapemeal prices (34%, ex-mill, Erith) were £150/t on Friday 13 November, £13 lower than at the end of October. Brazilian soyameal (48%, ex-store, Liverpool) prices were £266/t compared with £271/t on 30 October.

In its latest world supply and demand estimates, the USDA revised its forecast for 2015/16 US soyabean output to 108.4Mt, from 105.8Mt. While the market was expecting an upward revision, the actual increase was above expectations. Closing stock estimates for the US were also increased by more than expected. The forecast for 2015/16 global closing stocks was reduced from 85.1Mt in October to 82.9Mt, due to higher forecast demand and exports.

Early estimates from Strategie Grains, released on 5 November, suggest that the 2016/17 EU rapeseed area could reach 6.47Mha, up slightly from 2015/16. The rise comes as plantings are forecast to increase in Eastern Europe, which is predicted to offset the decline in area for larger producing countries, including the UK and Poland. The report also reveals that the EU soyabean area is forecast to reach 8.9Mha in 2016/17, up 0.5Mha year-on-year.

CONSUMPTION

Over the 12 week period ending 11 October 2015, retail pork purchases were down across all cuts except mince and other (mainly marinades), according to Kantar Worldpanel. This is despite a decrease in the average price across all pork cuts as household penetration fell by 5% year on year. This was a result of switching to categories like fresh chicken, chilled ready meals and main meal accompaniments. Sales were also lost to lamb and beef.

The biggest contributor to the fall in volume sales remained chops and steaks, as consumers drop out of purchasing this category. As a result, household penetration was down 8% and there has also been a reduction in the frequency of purchase. Roasting joints were down by 15% in sales value in the past 12 weeks, with volumes falling by 6%. Leg and loin joints are contributing the largest drops in volume. Shoulder joints have also registered a volume drop this period but had the smallest decline of all the roasting joints. This is due to an increase in frequency of purchase, despite a fall in household penetration.

Expenditure on bacon fell as both average retail prices and the amount purchased was down. Volume sales have fallen as a result of fewer households purchasing and less being bought per shopping trip. Standard and low-fat sausages were the only types to register growth in the latest period. Low-fat registered the strongest growth on the back of increased household penetration. Both low-fat and standard saw a small increase in levels of promotional activity. Ham volumes have remained stable this period despite average prices falling by 6%, as all of the Big 4 Grocers have increased their levels of total price reduction promotional activity.

Trends in retail meat purchases (period ended 11 October 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	-0	-3	-2
Pork	-11	-14	-3	-5	-11	-6	-5	-10	-5
<i>Belly</i>	-0	-4	-4	-6	-8	-2	-6	-8	-2
<i>Chops/Steaks</i>	-17	-19	-3	-8	-13	-6	-8	-12	-5
<i>Leg Roasting Joint</i>	-19	-27	-10	-7	-22	-16	-2	-13	-12
<i>Loin Roasting joint</i>	+2	-6	-7	-14	-19	-6	-12	-14	-3
<i>Shoulder Roasting joint</i>	-19	-29	-13	-2	-11	-10	+0	-7	-7
<i>Marinades</i>	+45	+58	+9	+24	+29	+3	+8	+6	-2
<i>Ribs</i>	+8	+4	-4	+10	+6	-4	+6	+3	-2
<i>Mince</i>	+0	+3	+2	+8	+5	-3	-2	-6	-4
Bacon	-5	-6	-1	-2	-4	-2	-0	-2	-2
Beef	+4	+4	+0	+1	+1	-0	-0	+0	+0
Lamb	+5	+4	-1	+3	+2	-1	-3	-4	-1
Poultry	+3	-2	-5	+6	+1	-5	+3	-2	-5
Processed products									
Pork Sausages	-5	-6	-2	-1	-3	-2	-0	-2	-2
Fresh Pre-packed Pork Pies	+4	+5	+1	+2	+3	+1	-1	+1	+2
Fresh Pre-packed Sausage Rolls	+3	+2	-2	+6	+1	-5	+3	-1	-4
Pork Sliced Cooked Meats	+2	-3	-5	+1	-4	-5	-1	-4	-3
Pork Chilled Ready Meals	+4	+6	+2	+4	+4	-1	+9	+8	-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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