

In this Issue

Annual review

In terms of price, 2015 was a year to forget for pig producers. A combination of factors contributed to the steadily declining price, including increased production, the pound-euro exchange rate, the gap between UK and EU prices and subdued consumer demand. To read further analysis of the factors affecting the pig market in 2015 and what they tell us about 2016, turn to **page 4**.

Convenience is key

With ever increasing pressure on time, we are spending less time in the kitchen preparing and cooking an evening meal, leading to ever greater demand for convenient meal solutions. With some of the most popular pork dishes taking longer to prepare and cook, it is vulnerable in fitting in with modern lifestyles. Read new analysis of the convenience category and the challenges and opportunities it provides for the pig meat sector on **page 5**.

China

During 2015, much of the global pig market has been experiencing low pig prices and a plentiful supply. The opposite has been true in China, where there has been a tightening of supplies and an increase in the pig price. With demand for pork outstripping domestic supplies, export opportunities were evident to the Chinese market. But will this strong demand for imported pork continue? Our latest summary of developments in China can be found on **page 7**.

Denmark

Denmark has traditionally been the main supplier of imported pig meat to the UK market, particularly in the form of bacon. Although its market share has diminished over time, developments in Denmark will inevitably have an impact on the UK market. You can read about developments affecting the Danish pig industry on **page 8**.

EU Private Storage Aid scheme open

The latest EU Private Storage Aid (PSA) scheme for pig meat opened on 4 January. In the first two and a half weeks of the scheme, applications for aid for storing nearly 90,000 tonnes of pork and pig fats were made, equivalent to roughly one day's production across the EU. To read more about this fast start to the PSA scheme, turn to **page 10**.

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Key data

| | Dec-15 | Change since Nov-15 | Change since Dec-14 |
|--|--------|---------------------|---------------------|
| Average GB carcass weight - kg | 80.61 | -1.36 | +0.33 |
| 30kg weaner price - £/head | 40.75 | -0.72 | -6.25 |
| 7kg weaner price - £/head | 30.91 | -0.55 | -3.78 |
| GB APP (Euro-spec) - p/kg dw | 128.98 | -0.93 | -18.65 |
| GB SPP (Euro-spec) - p/kg dw | 124.75 | -1.50 | -19.23 |
| EU Reference price - €/100kg dw | 126.22 | -5.88 | -8.42 |
| UK Reference price - €/100kg dw | 169.50 | -6.26 | -10.06 |
| UK weekly clean pig kill - 000 head | 205.2 | -16.6 | +5.7 |
| UK weekly pig meat production - 000 tonnes | 17.2 | -1.6 | +0.5 |
| UK pork imports - 000 tonnes* | 35.7 | +1.7 | +4.1 |
| UK bacon imports - 000 tonnes* | 22.2 | -0.7 | +0.4 |
| UK pork exports - 000 tonnes* | 17.2 | -0.2 | +2.6 |
| Retail pig meat sales - 000 tonnes† | 54.0 | +0.8 | -2.7 |
| LIFFE feed wheat futures - £/tonne | 112.60 | -0.71 | -19.77 |
| CBOT Soyameal futures - \$/tonne | 275.66 | -14.95 | -103.62 |

* Figures relate to November 2015

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 6 December 2015

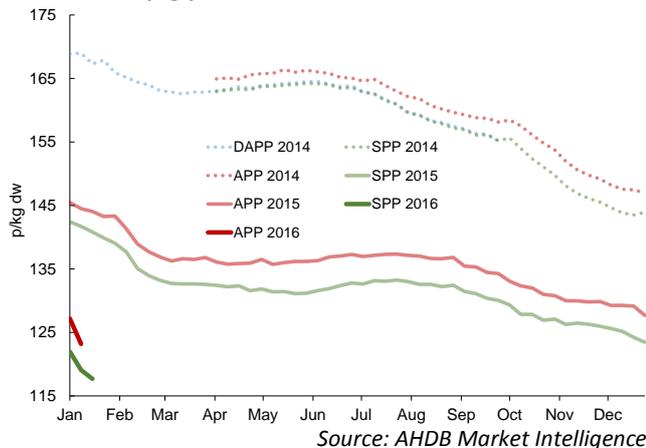
Interested in data? Get more detail about these and other areas from the [AHDB Pork website](#)

We are now on Twitter. For regular updates about the UK pig market and related publications, follow us @HowarthStephen

UK Market Snapshot

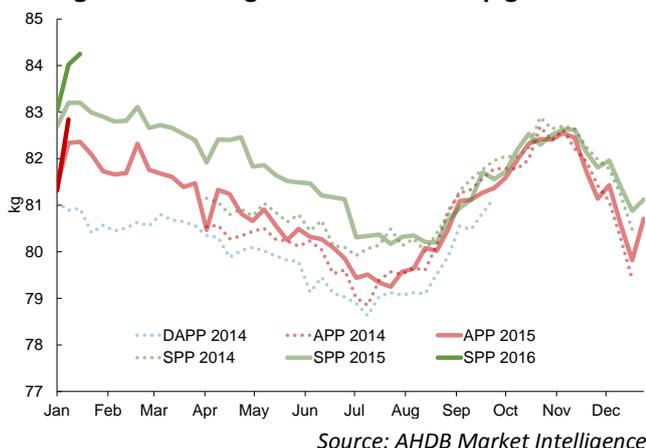
GB pig prices continued to fall during December, with the EU-spec APP averaging 1p lower than the previous month, at 128.98p/kg. The gap between December 2014 and December 2015 prices narrowed further to 19p as prices were falling at a faster rate in December 2014. The imbalance between supply and demand was still apparent throughout December as slaughterings rose and there was no sign of an uplift in prices. The last week of December recorded a sharp drop in price of 1.47p and prices continued to fall into January. The largest fall in prices for over a decade was recorded in week ended 9 January, when the APP fell by 4p to 123.19p/kg – the lowest price since May 2008.

GB finished pig prices



The gap between the APP and SPP widened to over 4p/kg in December as the latter recorded a larger decrease of 1.5p, averaging 124.75p/kg for the month. The difference between the two series was 4.23p, which is the largest spread since August. By week ended 26 December, the SPP had fallen by 2.15p compared to the first week of the month but the year on year monthly average was 19p down. As with the APP, sharp New Year falls were recorded, with the SPP losing over 4p in two weeks to stand at 117.69p/kg in week ended 16 January.

Average carcass weights for GB finished pigs



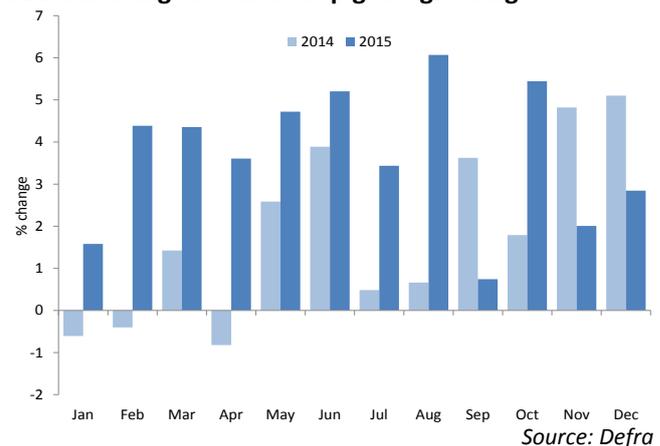
The average carcass weight of pigs in the APP sample during December was 80.6kg, around 1.3kg less than November but slightly heavier than December 2014.

The fall in weight month on month comes as pigs were pulled forward ahead of the holiday shutdowns. At the beginning of 2015, carcass weights were well above those of 2014 but as the year progressed they were tracking closer to the year before. However, carcass weights have begun 2016 at record levels. The average probe measurement during December was 0.2mm lower than in November at 11.4mm, which was also the same as December 2014.

The GB weaner market continued the downward trend in prices for both 7kg and 30kg weaners. The average price of a 7kg weaner for December was £30.91 per head which is 55p less than November and nearly £4 less than December 2014. 30kg weaners recorded a larger month on month decrease of nearly £1, averaging £40.75 per head, which is also £6.25 behind December 2014's average price.

Pig meat production increased by over 4% in 2015, to almost 900,000 tonnes, the fastest growth since 2011, according to the latest figures from Defra. Growth was slightly slower in the second half of the year but December's output of 68,900 tonnes was still 3% higher than a year earlier. The higher production was mainly due to a near 4% rise in clean pig slaughterings, with the total of just over 10.6 million head the highest since 2000. Slightly slower growth in December, just under 3% year on year, took that month's throughputs to 820,600 head. The UK figure for December was boosted by a 12% annual rise in the Northern Irish kill and a 7% increase in Scotland; English slaughterings only grew by 1% compared with a year earlier.

Annual change in UK clean pig slaughterings

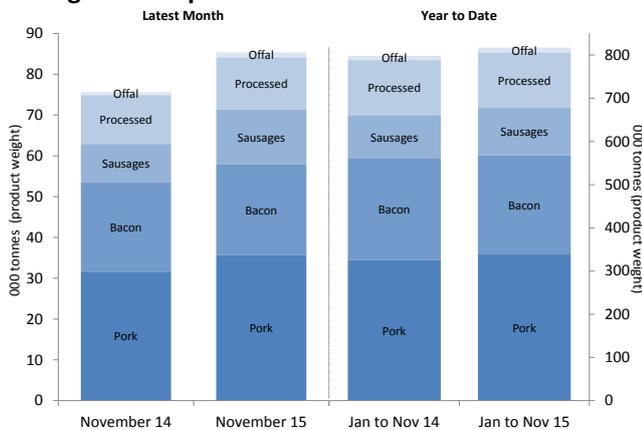


Following strong growth in 2014, carcass weights were only slightly heavier in 2015, averaging 81.3kg. Through the autumn, weights were actually below year earlier levels but by December they had moved slightly above December 2014's level, to average 80.9kg. With sow slaughterings also up again during the month, by 7% to 16,600 head, this added to the production growth. Sow throughputs for the year as a whole totalled 244,400 head, 1% more than in 2014. A 5% rise in the second half of the year more than offset the 4% fall in the first half.

UK Market Snapshot

Imports of fresh and frozen pork grew in volume in November, by 13% compared to the same period last year, although the value over the same period dropped 4% to £55.8 million, highlighting the decreasing prices of pork in the EU. This trend has been observed since June 2015, barring a slight dip in September. This suggests that, even though prices are falling for UK pork, buyers are looking to source increasing supplies from the EU, where the product is more competitively priced. Most of the year-on-year volume increase came from the three main suppliers, Denmark, Germany and the Netherlands, while Spanish shipments continued their strong growth of recent months.

UK Pig Meat Imports



Source: Her Majesty's Revenue & Customs

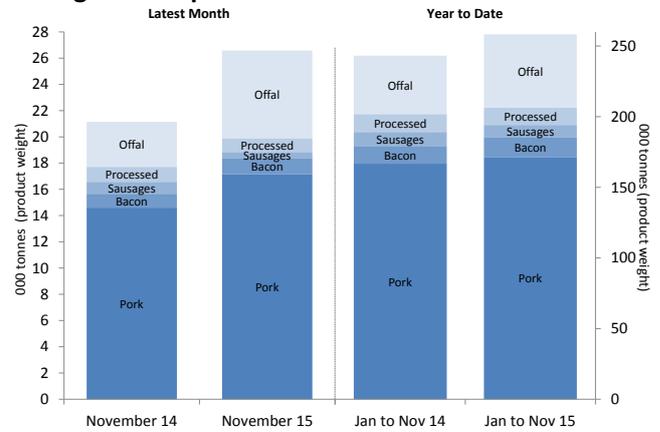
Sausages experienced a sharp increase in import volumes from November 2014 (up by 42%), with most of this being attributed to an increase in imports from Germany and Poland. Growth in bacon shipments was a more modest 2%, as lower purchases from Denmark offset increases from the Netherlands and Germany. Although small in scale, offal import volumes continued to grow in November. Whilst the volume imported from the Netherlands decreased, this was counteracted by imports increasing from other suppliers, including Ireland and France.

Overall UK pig meat exports rose in November, driven by growth in both fresh/frozen pork and offal. Both the volume and value of exported pork grew versus the same time period last year (by 17% and 20% respectively), although the volume declined slightly compared to the previous two months. The Chinese export market has continued to grow steadily since July 2015 and the Irish market has been showing growth since the beginning of 2015. These have cushioned the decline in exports seen to the Danish market, likely for re-export, following a spike in September 2015.

Offal exports continued to increase from the same month in 2014, with volumes having nearly doubled and with value growth of 46% seen. Export growth to China remains strong and has increased from the previous month. Chinese shipments accounted for 43%

of all offal exports in November 2015. Exports to Hong Kong also continue to grow following a steady start to the year.

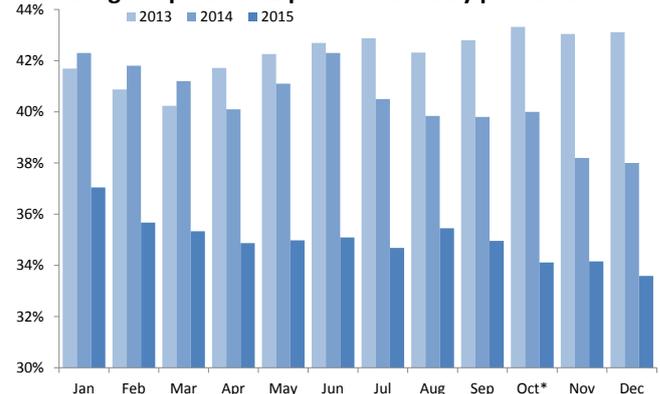
UK Pig Meat Exports



Source: Her Majesty's Revenue & Customs

Farmgate prices decreased once again in December, to the lowest level of the year. This fall, coupled with an increase in the average retail price compared with November led to the share of the retail price received by producers declining to just under 34%. This is the lowest since 2002, although there could have been some methodological changes since then. For 2015 as a whole the share was down by 5 percentage points on 2014, at an average of 35%. Farmgate prices fell by 19p/kg (13%) compared with December 2014. In contrast, the average retail price fell by just over 5p (1%). This resulted in the percentage share received by the producer falling four points over the same time frame.

Percentage of pork retail price received by producers



* figures from Oct-14 are based on APP Source: Defra

In pre-Christmas trading, pig meat retail sales continued to fall in both volume and value across all the main categories, according to Kantar Worldpanel. In the 12 weeks to 6 December, 5% less fresh pork was sold than a year before, despite a similar fall in average prices. Loin roasting joints, marinades and mince were the only bright spots. Bacon and sausage sales were down 6% in volume terms, despite prices for these being lower too, as shoppers are leaving these categories. Details of retail performance over Christmas will appear in next month's Pig Market Trends.

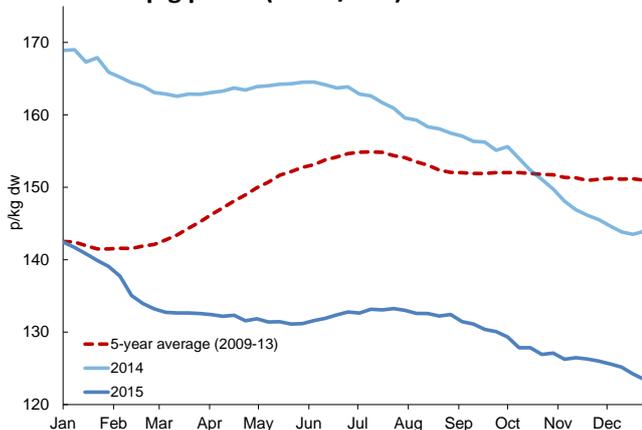
UK Market Analysis

Will 2016 be another year to forget for producers?

In terms of price, 2015 was a year to forget for pig producers. A combination of factors throughout the year contributed to the steadily declining price. Things could have been worse though, really they could have been!

At the start of 2015 the EU-spec SPP was at 142p/kg, the highest price recorded all year, and then experienced its usual post-Christmas decline. Unlike other years, however, spring recovery was undetected and prices fell to just above 131p/kg in May. The price picked up somewhat throughout the summer, albeit remaining under 134p/kg, peaking at the end of July. Thereafter it slowly fell for the remainder of the year. The last recorded price in 2015 was 19p less than the start of the year at 123p/kg. Not only was this the lowest price of 2015, but comparing it against the DAPP, this quote was the lowest since May 2008.

GB finished pig prices (DAPP/SPP)



Source: AHDB Market Intelligence

Pig meat production for 2015 was over 4% higher than 2014 at just under 900,000 tonnes, while sow slaughterings were little changed. Therefore, the increase in production is attributed to a slight increase in weight and better productivity.

The increase in domestic supply was added to by a rise in imports but, similarly to 2014, the amount could have been higher considering how much lower EU prices were throughout the year. A smaller increase in exports was recorded for 2015, although the majority of cuts exported were those with little demand domestically. The strength of the pound against the euro was the main factor limiting UK exports last year.

The increase in supply was met by reduced demand in 2015, with retail sales of pig meat down on the year before, which was regarded as a fairly low year, particularly for fresh pork. Increased supply and poor demand inevitably had an effect on prices. The balance between supply and demand will have to even out somewhat if there is any hope of prices picking up throughout this year.

If UK producers had it bad, their EU counterparts had it worse from a price perspective. The average EU reference price ended the year at just over €1.26/kg,

which is 93p/kg in sterling terms and 4% lower than the price at the start of the year, although the price had been higher during the year. Due to the weakness of the euro, in sterling terms the decrease was even larger at 10%. Not only has the EU recorded lower pig prices, feed prices have also held up due to the weak euro, which has pushed many farmers back into the red. For the UK, however, although pig prices are at the lowest point in nearly eight years, animal feed prices are at multi-year lows too. This means that, despite the low pig prices, the financial position of producers has not been as bad as for their counterparts across the channel.

So what do the trends in 2015 tell us about 2016? Well, for 2016 supplies available for consumption are forecast to increase again, with both domestic production and imports expected to rise. This will keep pressure on the UK pig price unless demand increases accordingly. So far, however, consumer demand has not increased in response to low prices. With UK feed prices low, producer margins could be worse but they are vulnerable to sustained falls in pig prices or to any rise in feed prices.

Low global demand, relative to supply, is still going to be a focus point for the year. China, now the UK's second largest export destination for pig meat (and the EU's largest), is expected to record a slowdown in imports as 2016 progresses. With strong Chinese demand providing some support to the EU market in 2015, this must be a concern. Other major importers are forecast to show at most modest growth and these may be offset by further reductions in Russia's demand.

The EU private storage aid scheme may reduce supplies on the market but a similar scheme in 2015 had little effect on EU pig prices. Nevertheless, this year's scheme is thought to be better designed. The reported contraction in the German breeding herd could lead to tightening supplies in the EU, if replicated elsewhere. Even so, no major reduction in EU output is likely at least until the middle of the year, so demand will need to be found from somewhere for a significant EU market recovery.

The impact of the weak EU market on the UK pig price has been enhanced over the last year by the strength of the pound against the euro. Nevertheless, some commentators feel the pound is over-priced and indeed it has weakened since the turn of the year. As more information on the EU referendum and which way the vote may swing becomes available, it could influence the value of the pound. Despite this uncertainty, a strong pound could continue to be an issue for much of 2016.

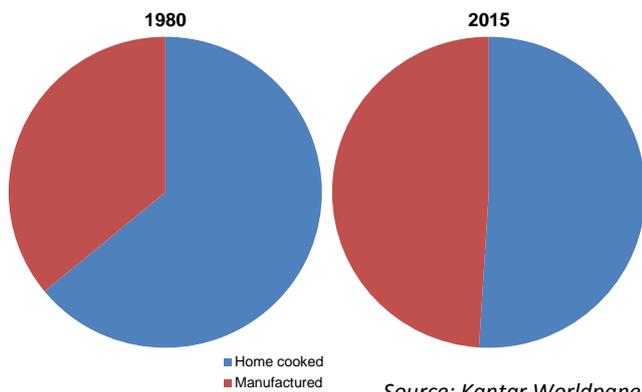
At the beginning of 2015, the message was that the year could easily be one that producers would want to forget. Overall, it seems that, unfortunately, that may be the case again in 2016.

UK Market Analysis

Convenience is key

With ever increasing pressure on time, as a nation we are spending less and less time in the kitchen preparing and cooking an evening meal. According to Kantar Worldpanel, this is down from an average 60 minutes in 1980 to 31 minutes in 2015, leading to ever greater demand for convenient meal solutions. With some of the most popular pork dishes taking far longer than this to prepare and cook, it highlights the vulnerability of primary red meat in fitting in with modern lifestyles. More convenient meal solutions need to be developed to tap into this growing market.

Change in cooking habits of GB consumers



The latest Kantar Worldpanel data show that the growing consumer trend towards convenience is continuing. The meat, fish and poultry convenience market is currently worth £3.6 billion and growing at a rate of almost 4% annually. Chicken currently holds the largest share at 30%, though value sales are down 1% on the year. While pork is sitting at 11%, growing by 3% annually, beef has an 18% share, up 6%.

The convenience category consists of three main markets; ready meals, chilled main meal accompaniments and ready to cook. All provide added value to consumers, given their convenience and so generally command a premium price.

Ready meals are the product most shoppers would recognise. They consist of a complete meal, which in the main is microwaved. This category is worth £2 billion and is growing by 5% year-on-year. The growth is volume driven, mainly due to shoppers buying products more frequently. Switching has also taken place, predominantly from fresh and frozen meats. The strongest growth has been seen in the Hard Discounters, with the Big 4's sales remaining roughly static. Pork currently commands a 9% share of this market but it is growing at a rate of 5%, slightly lower growth than key competitors beef and lamb, but higher than chicken.

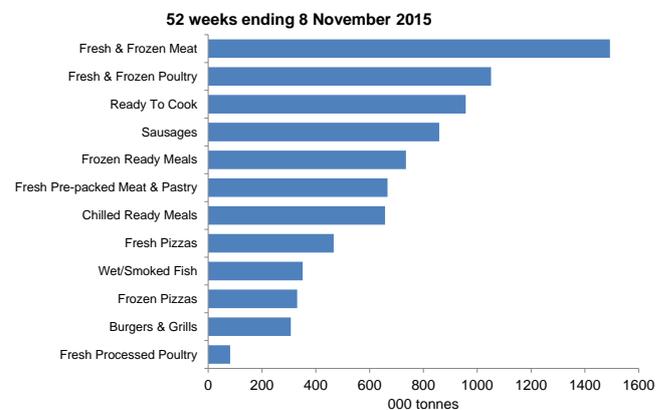
Ready to cook meals are products in a silver tray, usually with a rub or sauce on and that are ready to go straight into the oven. The market is worth £387 million and bucks the overall trend, as value sales were down 9% in the latest year, though they are up 8% over a five year period.

A third of all ready to cook products are consumed on a Sunday. An average ready to cook meal takes 56.4 minutes to prepare, a potential barrier to these products spreading to the mid-week market. Currently, chicken holds a 49% share of this market, with pork at 13%, although spend on ready to cook pork products was down 25% over the past year. Product development is crucial to turn this back into growth, which is already being seen in lamb, gaining 13% on the year.

Chilled main meal accompaniments give direction to a meal but still require the consumer to remove the products from packaging. This includes products which can be mixed to create a meal, such as meatballs or pre-made mashed potato. The market is worth £1.2 billion and growing 6% annually, mainly from increased frequency of purchase.

Volume growth has been due to consumers switching from primary meat and poultry. Pork has seen promising growth of 25%, showing an area of real potential, although coming from a small market share of 5%. By contrast chicken, which has the largest share, was down 3%. Hard Discounters and premium retailers have registered the strongest growth, while a slight decline is evident within the Big 4.

Switching to chilled main meal accompaniments from other protein categories



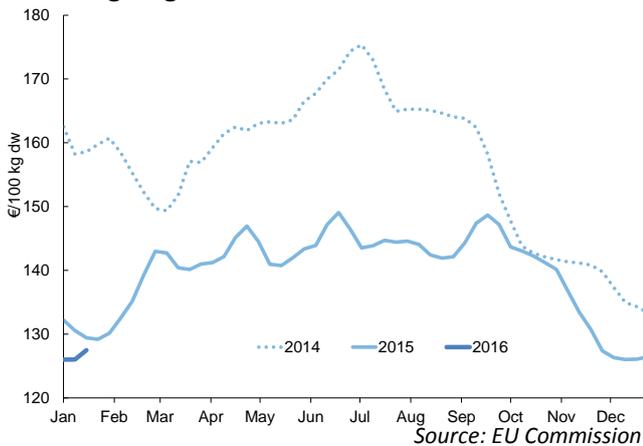
Looking ahead, time-poor consumers will continue to look for convenient 'meal solutions', presenting a real growth opportunity for red meat. This has already been seen within the fish category, with products featuring sauces and marinades being launched, not only increasing volume sales but also adding value to the market.

The rise of convenience products shows that the red meat sector needs to adapt and cater for changing consumer lifestyles. To date the pig meat sector has a fairly low market share, suggesting it has been slow to respond to these trends. However, the opportunities are there to develop new products, such as pulled pork, to build that share, adding value and contributing to overall pig meat demand.

EU Market Snapshot

Since the beginning of 2016, the EU average pig price has started to stabilise, following a period of decline since September 2015, with the latest quote at €127.48 per 100kg (week ended 17 January 2016). These levels were last seen in November 2015. In sterling terms, the average price has now increased to over 96p/kg, driven by the weakening of sterling against the euro. Historically, prices normally fall in the post-Christmas period but this rallying of the EU average pig price may be an indication that the Private Storage Aid (PSA) is starting to have a positive effect. Whether this is truly the case or not will play out over the coming weeks.

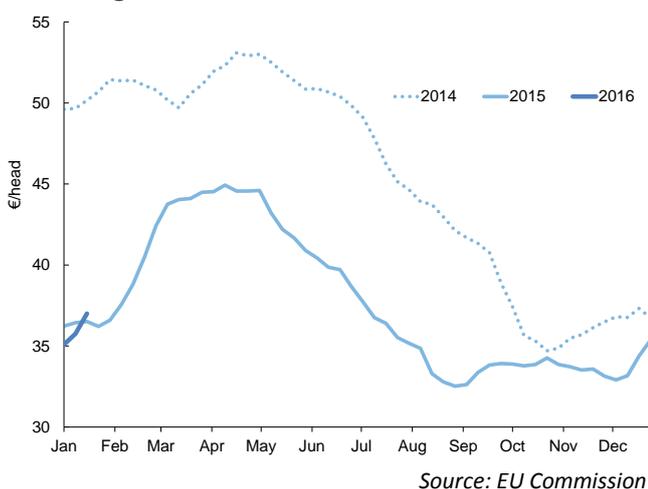
EU Average Pig Reference Price



Prices have started to firm in some of the larger producing states in the EU. German prices have increased over €4 since the beginning of the year. Combined with the PSA, the recently released German census shows a declining breeding herd, indicating a tightening of supplies during 2016. This may also be having a positive effect on price. The Danish price has stabilised over recent weeks, as has the Spanish price in the New Year. Dutch pig prices continue to increase – a weekly trend noted over the last seven consecutive weeks.

As with average pig prices, weaner prices started to firm up at the tail end of 2015 and into 2016. From September 2015 onwards, prices began to stabilise, albeit at slightly lower levels than 2014.

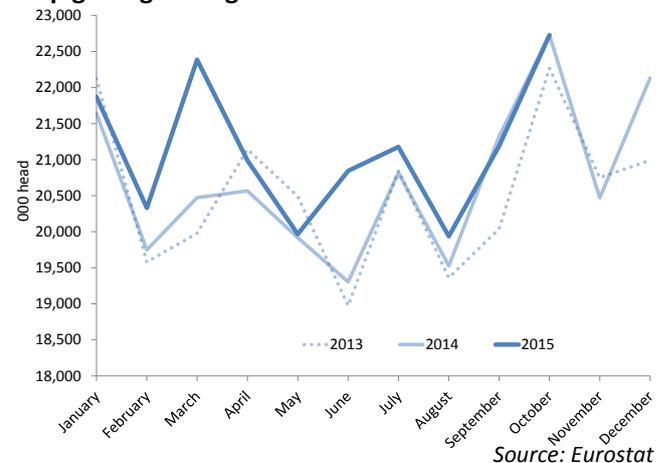
EU Average Weaner Reference Price



However, in early 2016 prices moved above those seen in the same period in 2015. As with the average pig price, we can infer that the PSA may be playing a positive role in this increase, with producers anticipating rising pig prices during the spring. However, the recent rises may also indicate some tightening of supplies, which could lend weight to expectations of a recovery in pig prices as 2016 progresses. This rise in average weaner prices has largely been driven by the German, Dutch and Spanish markets. The German weaner price has increased by over €6/head since the end of November, with the Spanish, Dutch and Belgian prices showing similar trends. The Danish price has remained largely stable.

EU pig meat production continued to increase seasonally into October. This rise in October is partly due to the higher number of working days in the month but can also be partly attributed to increased volumes of product being marketed for the festive period. 2015 levels in this period were marginally higher than the previous years, despite one fewer working days than in 2014, illustrating that more product was coming to market, at a time when the average pig price was weakening significantly.

EU pig slaughtering trends



This increase was largely supported by a 19% rise in Danish output, continuing its trend of production volatility experienced in 2015, thought to be due to a change in reporting periods. Some increases were also evident in Spain, the UK and the Netherlands. There were declines in Germany, France and Poland but these were not large enough to buck the increasing trend elsewhere.

Although we are still waiting for the November data on EU external trade to be published, early indications from some Member States suggest that recent trends have very much continued. Germany remained a strong exporter to China, at similar levels to October, as did France and Ireland. We would expect to see China continuing to drive EU exports into November, based on the information seen from the states which have already published their data.

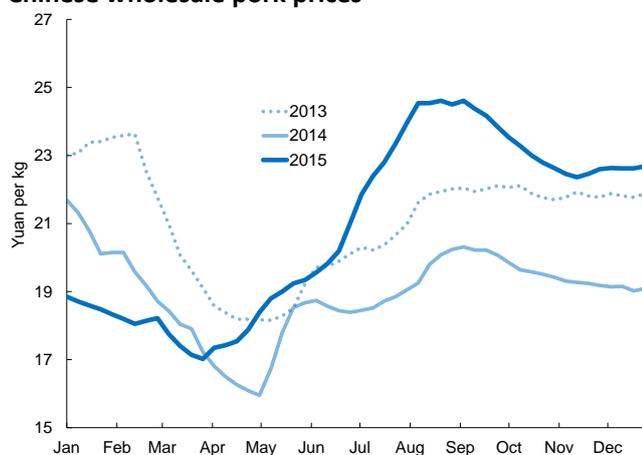
Global Market Analysis

EU capitalises on tightening of Chinese supplies

During 2015, much of the global pig market has been experiencing low pig prices and a plentiful supply, bolstered by improved efficiencies and a low feed price. The opposite has been true in China, which experienced a significant drop in its breeding sow herd, in turn leading to a tightening of supplies and an increase in the pig price. With demand for pork outstripping domestic supplies, export opportunities were evident to the Chinese market.

From April 2015 onwards, the wholesale pig price rose steadily, greatly exceeding levels seen in 2013 and 2014. During the last quarter of the year, levels did decline slightly but remained strong compared to the previous two years. This increase in wholesale price reflected the tightening of supplies following the large scale rationalisation of the breeding herd. However, the slight decline in price at the end of 2015 suggests that there may be some increase in supply to the domestic market. A slight growth in the breeding sow herd is forecast due to cheaper feed and higher pig prices, but production efficiencies will also have a big part to play. Quality is improving through imported genetics, industry consolidation and new investment.

Chinese wholesale pork prices



Source: China Ministry of Agriculture

Whilst we are starting to see a slight recovery in pig numbers, demand is still outstripping supply. The shift from small holdings to larger scale production continues, often driven by high production costs and stringent environmental regulations being used to shut down or relocate pig farms – especially those near densely populated areas. The pig herd is predicted to recover by the end of 2016, driven by the high prices. The government is also encouraging the development of large scale pig farms which benefit from better technology and management and a higher sow production ratio.

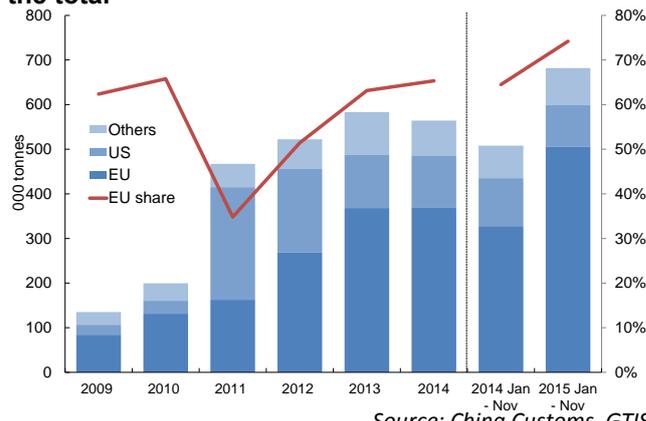
Demand for pork in China is likely to have been negatively affected by the economic slowdown and the internal fight against corruption reducing the number of official banquets, especially at high end hotels and restaurants. Pork prices look set to stay high into 2016,

which may drive more consumers towards poultry and fish. However, the fact that the population is still growing and becoming more urbanised will support pork consumption. Coupled with this, urban consumers are paying more attention to food safety, which has led to an increase in popularity of branded products.

The slight increase in production into 2016, in line with stabilised consumption, may start to reduce the levels of imports needed. However, the predicted continued high pork price and relatively low levels of trust in the domestic product will continue to make imports an attractive option.

Imports to China grew significantly during 2015 compared to the same period a year before (682,000 tonnes up to November vs. 508,000 tonnes in 2014). This growth was largely bolstered by the increase in EU imports – accounting for 74% of all imported pork. EU pork was attractive due to the weak euro and the glut of supply, exacerbated by the trade ban imposed by Russia.

Growth of Chinese pork imports and EU share of the total



Source: China Customs, GTIS

Going forward, export opportunities to China should remain strong for much of 2016, as pig numbers are not predicted to recover until the end of the year. Consumption is forecast to remain stable, ensuring that demand will still exceed supply, although the rate of growth is likely to slow and may fall below 2015's inflated levels as the year progresses. Even though the UK does not have quite the same exchange rate advantage as the EU, high Chinese production costs and limited supply still makes UK pork competitive.

In conclusion, China looks set to remain a strong export partner for both the UK and the rest of the EU but we are unlikely to see the same growth as in 2015, especially in the second half of the year. As well as domestic supplies coming forward at a greater rate, the slowdown of the Chinese economy may limit demand to some extent. Historically, the Chinese market has always shown a degree of volatility, although the trend has been of a growing market. Therefore, whilst the Chinese market has been a lifeline during a difficult period in the EU pig market, we should not rely on it to be the golden goose throughout 2016 and beyond.

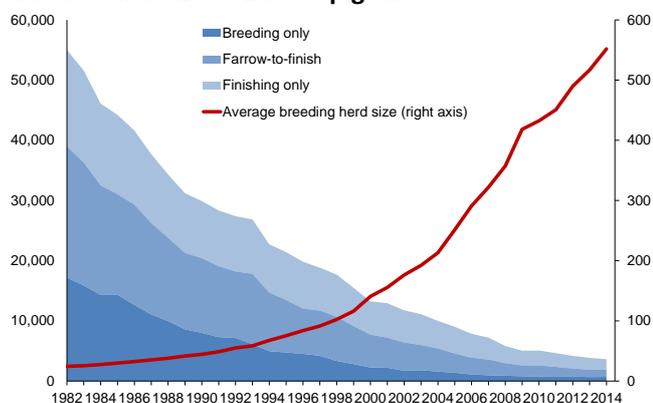
Global Market Analysis

Danish industry adapting to new challenges

Denmark has traditionally been the main supplier of imported pig meat to the UK market, particularly in the form of bacon. Although its market share has diminished over time, from over 40% in the late 1990s to about a quarter now, it retains its leading position. Therefore, developments in Denmark will inevitably have an impact on the UK market.

Danish pig production is becoming increasingly concentrated, with far fewer farms keeping pigs (just 3,600 in 2014, down from 10,000 a decade before and 22,700 in 1994). Nearly 80% of Danish sows are now kept on large-scale farms with 500 or more sows each. There were 900 farms of this size in 2014. A decade ago just 40% of sows were on such large farms (and less than 10% were in 1994).

Number and size of Danish pig farms



Source: Statistics Denmark

This makes the typical Danish farm larger than in most other EU countries. While that has advantages in terms of efficiency and productivity, it also makes it harder for producers to respond to market conditions. That might help explain why the Danish breeding herd is so stable, with sow numbers never more than 10% above or below 1.1 million in quarterly records back to the start of 1998.

Efficient and productive breeding is, of course, what the Danes are best at. The recent AHDB Pork report comparing production costs across Europe shows the Danes are now weaning over 30 pigs per sow per year, four more than the EU average and 6½ more than GB producers. This means that Denmark can produce weaners at lower cost than most other EU countries. And Danish weaners are in high demand. Exports continue to grow, with the long established trade to Germany and steadily expanding shipments to Poland supplemented by rising sales to Italy.

Based on quotes published by the EU Commission, Danish weaner prices have held up better than those elsewhere over the last year. This has given Danish breeders some protection from the negative margins seen across Europe and the Danish sow herd has held up better than some, with only a marginal fall recorded in the year to 1 October. Given steady improvements in

productivity, that should mean no reduction in the number of piglets in the short-term, at least.

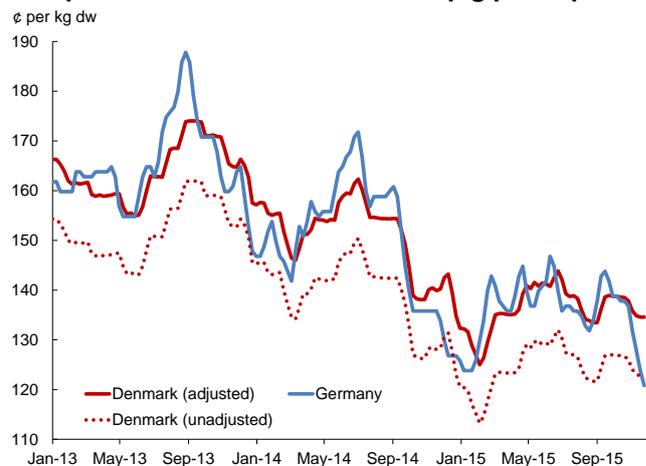
The fact that more and more of those piglets are destined for finishers outside Denmark continues to create issues for the processing industry, however. Danish pig slaughterings have declined by nearly a fifth over the last decade, even though piglet production was up by a similar amount.

This has left over capacity in the processing sector, which has meant change for the major players in the industry. The market leader, co-operative Danish Crown, has focused its expansion outside Denmark and now owns slaughterhouses in Germany, Sweden, Poland and, of course, the UK. Most Danish piglets still end up in its plants, just not always in Denmark. The company has also recently gone into partnership with German co-operative Westfleisch to process sows for the German market.

Denmark's other major co-operative, Tican, has also been through a period of change. A proposed merger with Danish Crown was ultimately prevented by competition authorities and the company has instead been taken over by German processor Tönnies. Tican also has a presence in the UK, including through subsidiaries Direct Table Foods and Pro-Pak Foods.

The co-operative structure means that weekly pig prices are usually lower than in many other EU countries. However, as reported in the last edition of PMT, the true price is closer to its competitors, once annual bonus payments are taken into account. Danish prices are generally less volatile than those in its neighbour, Germany, another factor protecting producers from the worst of last year's market conditions.

Comparison of Danish and German pig price quotes



Source: AHDB, Danish Agriculture & Food Council

The diversity and success of Denmark's pork exports, up another 7% year on year in the first ten months of 2015, also provides some protection from volatility. Therefore, despite experiencing plenty of change, it seems likely that the Danish industry will adapt and maintain the stability which has become its hallmark.

Feed Market

UK feed wheat futures fell over the last month with the May-16 contract closing at £113.75/t on 20 January, down from £117.50/t on 23 December. Nevertheless, Paris wheat futures recorded larger declines over the same period. May-16 Paris wheat futures prices closed at €168.25/t on 20 January, down from €178.50/t on 23 December.

Compared to Paris futures prices, the UK market was supported as sterling weakened against the euro over the last month. The pound has fallen to its lowest against the euro since January 2015, with the ECB exchange rate on 20 January at £1=€1.30, down from £1=€1.36 on 23 December. Furthermore, the weaker sterling has anecdotally been beneficial for UK wheat and barley exports recently.

Daily pound/euro exchange rate



Despite Chicago wheat futures prices (May-16) reaching a monthly high of \$178.76/t on 12 January, the contract settled slightly down on the month on 20 January at \$174.81/t. Nevertheless, May-16 Chicago maize futures prices closed up month on month, albeit by only 59 cents, despite reaching a new contract low on 4 January (and again on 11 Jan). On 20 January, the contract closed at \$146.94/t.

Some of the support for maize futures prices recently has been attributed to concerns about the impact of severe drought in South Africa, despite the country typically only producing 1-1.5% of the world's maize crop. Cuts to production mean that South Africa is expected to import an unprecedented 6Mt this year to meet domestic demand.

On 12 January, the USDA released a raft of data that brought some unexpected bullish news. The latest supply and demand report recorded a decline in world maize ending stocks forecasts compared to last month, while the US winter plantings release revealed a 7% decline in winter wheat area. In response, wheat prices increased but this was short lived as the realisation of ample global stocks settled back in.

May-16 Chicago soyabean futures prices closed at \$321.42/t on 20 January a decline of 1% from 23

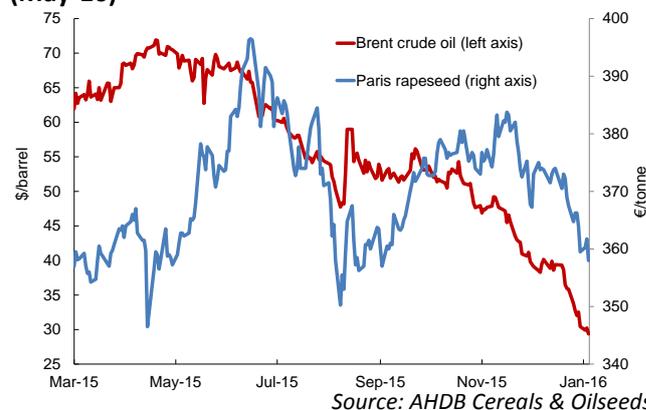
December. Over the last month weather conditions have improved across parts of Brazil. While dryness remains widespread throughout stretches of northern and north-western Brazil, rains have helped to improve soil moisture. This has led to pressure for US soyabean prices. However, additional rains are still needed to curb dryness in key growing regions, such as parts of Mato Grosso. Furthermore, Brazilian soyabean production in 2015/16 is still expected to break records, despite recent reductions by a number of forecasters.

At the beginning of January, agricultural markets reacted to volatility in China after stock market trading was suspended twice in a week, following sharp drops in shares. The events were reported to be in response to China's latest 'factory activity' release, which recorded a drop in manufacturing activity in December for the tenth consecutive month. In addition, 2015 Chinese economic growth is expected to have been the slowest in 25 years. China is a major importer on a global scale, so any reduction in growth could mean a slowdown in global demand expansion.

Despite the worries of Chinese volatility, preliminary trade data from Chinese customs revealed that December soyabean imports took 2015 purchases to an all-time high. Driven by increasing popularity of soyameal for animal feed use, soyabean imports reached 9.12Mt in December. This takes 2015 imports to 81.69Mt, up 14% on 2014. It is thought that this may help to partly ease concerns about Chinese demand in global agricultural markets.

Between 23 December and 20 January, May-16 Paris rapeseed futures prices fell by 4% (€16/t), to €358/t. UK rapemeal prices (34%, ex-mill, Erith) were £152/t on 15 January, £13 more than 18 December.

Paris rapeseed and Brent Crude Oil futures prices (May-16)



The decline in Paris rapeseed futures is influenced by a number of reasons. As for cereals, the exchange rate has played a part but the weakness in crude oil values has weighed on the vegetable oil markets and is the main factor contributing to the price decrease. The fall in crude oil prices comes as global supply remains high and the removal of sanctions on Iran could bring even more supplies to market.

In Brief

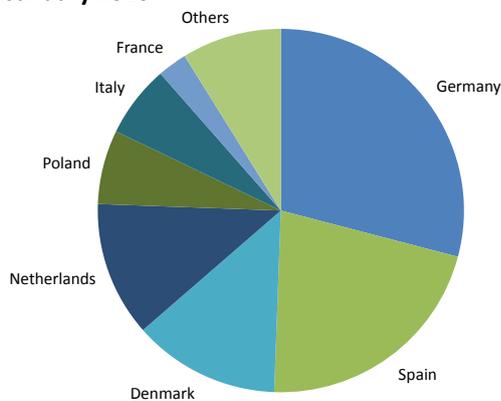
EU Private Storage Aid scheme open

The latest EU Private Storage Aid (PSA) scheme for pig meat opened on 4 January. In the first two and a half weeks of the scheme, up to Wednesday 20 January, applications for aid for storing nearly 90,000 tonnes of pork and pig fats were made. This already exceeds the total amount which was stored during the previous scheme, which was open for two months during the spring of last year.

To put this total into context, it is equivalent to roughly one day's production across the EU or around 8% of output during the period since applications opened. This fast start suggests that the new scheme may have a better chance of supporting EU pig prices. Certainly, EU prices have firmed slightly since the New Year, at a time of year when they normally fall. While it is too early to say how much this may be attributed by the PSA scheme, it could certainly be a factor.

Over half of the applications to date, some 48,000 tonnes, have been for boned legs, with the remainder made up of a mix of other cuts, both bone-in and boneless. Unlike the previous scheme, unprocessed fats are also included and they made up around 10% of total applications to date.

Applications for EU PSA for pig meat by Member State, 4-20 January 2016



Source: EU Commission

Over two-thirds of requests were for the minimum 3-month storage period, with most of the rest being for the full five months. Over three quarters of applications came from just four Member States, with half from Spain and Germany. Only just over 500 tonnes was entered from the UK.

US pig herd at record size

As at 1 December, the US pig herd had increased 1% year on year to 68.3 million head, according to the USDA. This is the highest number of pigs recorded since the estimates began in 1988. Numbers in lighter weight bands were down, however, so slaughter may drop below year earlier levels as we move further into 2016. The decrease in piglet numbers is due to a 4% fall in litters farrowed, as pigs weaned per litter reached a record 10.53 head. Intended farrowings for the coming months are also lower, suggesting supplies may continue to tighten.

German pig numbers lowest since 2011

The number of pigs in Germany in November had fallen 3% since last November to 27.5 million - the lowest level seen since 2011. Declines were noted across the board but particularly for breeding sows (-4%) and in-pig gilts (-6%). Over the past few months, German weaner prices have declined sharply, meaning many breeding farms are losing money and, consequently, reducing the number of breeding sows. This should result in a decline in the production levels through 2016, potentially providing some support to prices.

Global meat prices still falling

Latest figures from the UN FAO show that global meat prices fell 2% in December, to end 2015 at their lowest point since early 2010. On average, meat prices during 2015 were 15% lower than in 2014 and the latest quote was 23% down on December 2014. Prices for all the main categories of meat fell during December. The fall in meat prices was replicated for most other agricultural commodities, with FAO's food price index reaching its lowest level since April 2009.

AHDB Outlook Conference 2016

Bookings remain open for the AHDB Outlook Conference on Tuesday 9 February in London. Keynote presentations will cover the referendum on UK membership of the EU and the relative competitiveness of UK and global livestock sectors. Breakout sessions will follow, providing an overview of the market outlook for each sector. The pork session will include the latest AHDB supply forecasts, along with a review of the outlook for the feed market.

Further information about the conference can be found by [clicking here](#) and places can be [booked here](#).

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