



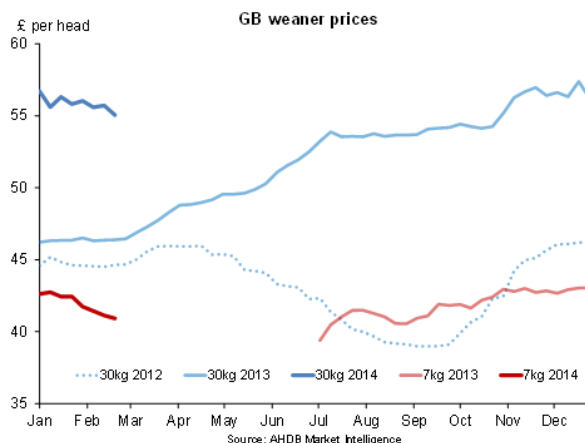
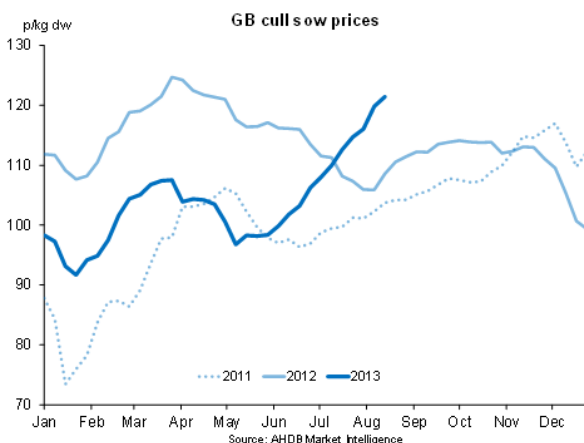
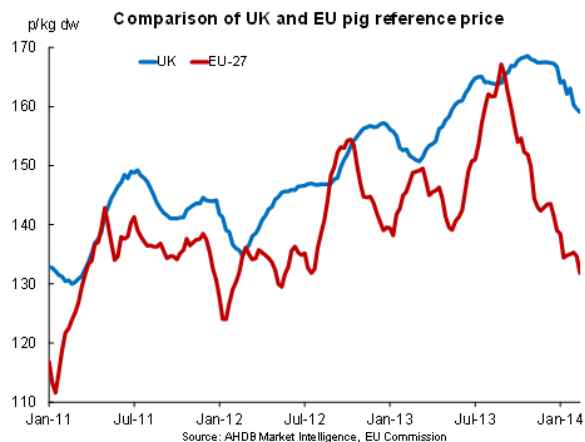
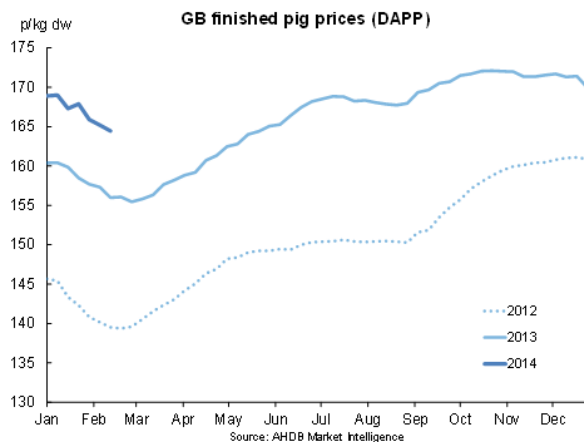
United Kingdom Pig Meat Market Update

March 2014

UK PRICES

At 167.91p per kg, the EU-spec DAPP for January continued to fall for the third consecutive month, down by over 3p from December 2013. This downward trend is typical for this time of the year when consumer demand eases post-Christmas. However, compared with January last year, finished pig prices have held up fairly well, with an annual increase of 9p. This downward trend continued into February, as the DAPP fell further to 164.44p per kg for the week ended 15 February, around 7p below its level in the week before Christmas.

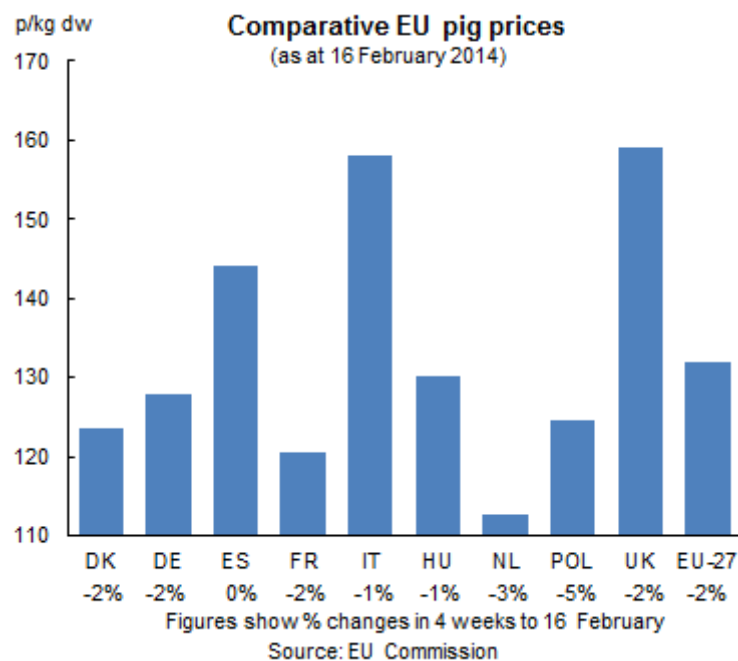
Carcase weight in January averaged 81.20kg, the heaviest on record. Heavy weights are normal for this time of the year, as some pigs are rolled to later weeks as a result of reduced demand during and after the Christmas period. At the latest monthly average, carcase weights were 2% higher compared with January 2013. The largest monthly rise in carcase weights was recorded for Northern Ireland, with an increment of 3% on the previous year.



The 30kg weaner price remained fairly stable during January and the price averaged £55.73 per head for the month. Compared with the month before, this meant that weaner prices eased slightly. However, breeders received €9 per head more than the same month in 2013. While this may indicate strong producer confidence, the large annual difference in the price may partly reflect a change in methodology in November, which may have increased reported prices slightly. By the most recent week, ended 15 February, weaner prices had fallen slightly further to £55.05 per head. The 7kg weaner also followed a similar trend, whereby the monthly average stood at £42.48 per head, marginally lower than the previous month, with the latest price down to just below €41.

EU PRICES

Following the fall in the last quarter of 2013, the EU average pig reference price continued to decline early in the New Year but then showed some recovery into early February. However, in the latest weeks, there has been some downward pressure on EU pig prices following the Russian ban on imports of EU pork. By week ended 16 February, the EU average price had fallen by nearly €5 in two weeks to stand at just under €160 per 100kg. This was its lowest level for two years and around €11 below the price a year before.

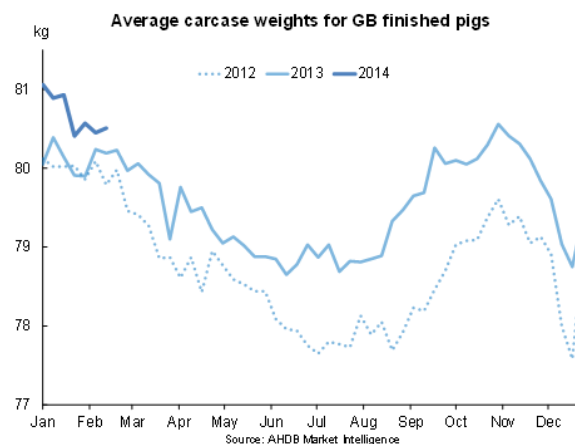
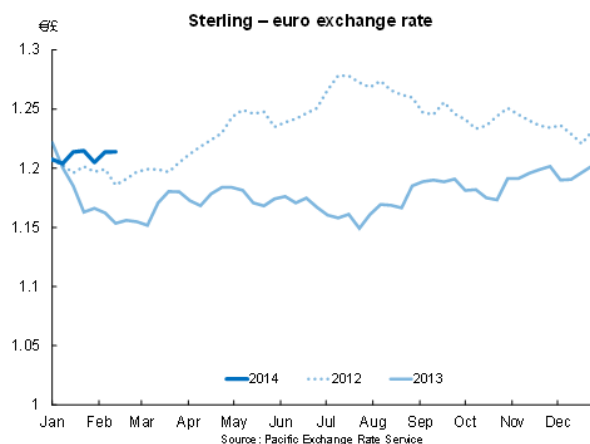
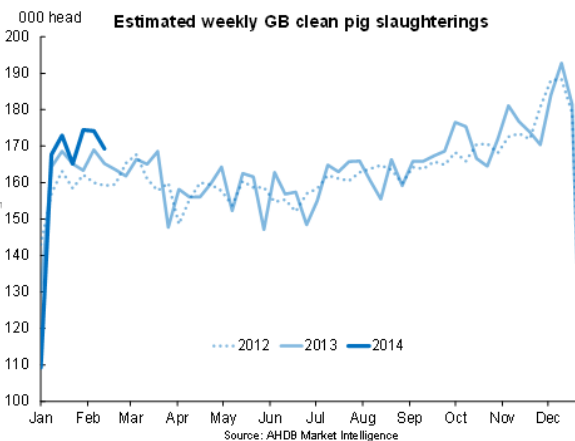
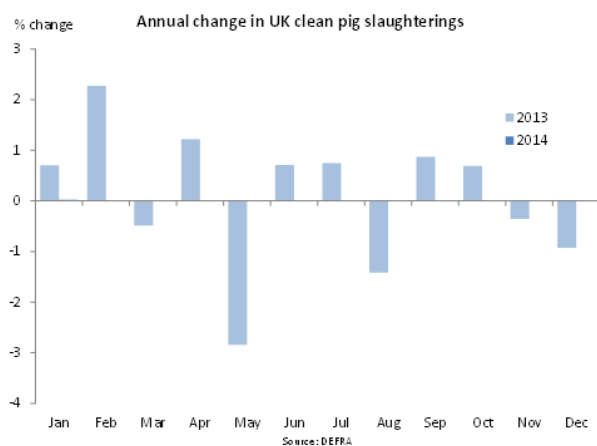


After the turn of the year, finished pig prices were broadly stable in most Member States during January but, as expected, January averages stood below the previous month. Amongst the key countries, prices fell sharply month-on-month in Germany and the Netherlands, by €10 and €11 per 100kg respectively. Into February, prices began to fall again following the Russian ban. Some northern Member States were particularly hard hit, with prices falling by €8 in Germany and over €10 in Poland, for example. By the week ended 2 February, the UK reference price had fallen €7 since the last week of December; the strengthening pound prevented further declines in the UK price in euro terms. As a result, the gap between the UK and the EU price remained at over €30 per 100 kg.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK clean pig slaughterings in January totalled 946,700 head, almost identical to the same month in 2013. Finished pig numbers remain constrained following the decline in the breeding herd during 2012. The number of pigs killed in England and Wales in January edged up marginally but Scottish throughputs declined by 8%. In contrast, slaughterings in Northern Ireland increased by 1% compared with the same month last year.

Adult pig slaughterings in the first month of the year totalled 24,600 head, down 3% from January 2013. While average GB sow prices are not available, trends in the EU market suggest that the GB sow price is likely to have weakened as of late. If this is the case, lower cull sow numbers may reflect producer reluctance to sell their animals, given the low returns available for doing so. The average clean pig carcass weight in January reached 81.20kg, up 2% from a year earlier and the heaviest on record. As a result, pig meat production during the month reached 80,500 tonnes. This was also 2% above the previous year's level.



At 31,200 tonnes, UK pork imports strengthened in December, with a 12% rise in volumes compared with the same month in 2012. This may be the result of UK buyers taking advantage of the large gap between EU and UK prices, although it is too early to say whether this will be sustained into the New Year. However, it is worth noting that December 2012 imports were particularly low and the increase may just be a return to more normal import levels. Bacon supplies also increased in the same month, albeit at a slower rate of 5%. The Danes gained further importance at the expense of lower bacon trade with the Netherlands. Sausage imports in December decreased 3% on the year and other processed shipments came down by 7%.

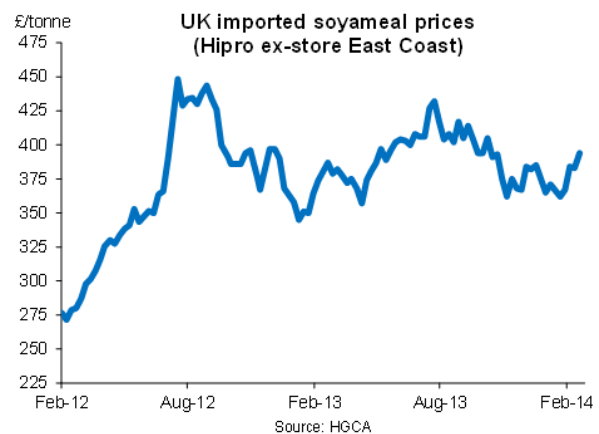
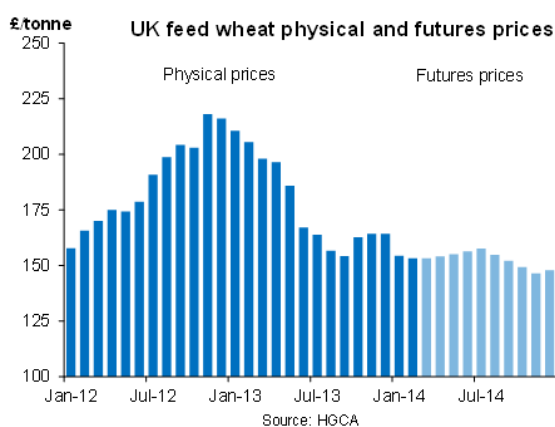
At 13,300 tonnes, UK pork exports increased by just 2% in December compared with a year earlier, continuing the growth recorded throughout the year. Exports were dampened by a 9% decline in supplies to Germany, which meant that the Netherlands became the leading market, with a 33% increase in exports. The Chinese market picked up 3% more product than a year before but lower shipments to Hong Kong meant that the region took less UK pork overall. Offal exports declined by more than three quarters in December, compared with the previous year. This was largely a result of lower demand from the continent, particularly from Belgium, Germany and the Netherlands, although shipments to Greater China were also lower.

December's modest increase took UK pork exports for 2013 as a whole to their highest level since before the 2001 Foot & Mouth Disease outbreak. The total for the year was 179,000 tonnes. Including cured and processed products and offals, total exports topped 250,000 tonnes. The value of these exports was a record £325 million.

FEED MARKET

UK feed wheat futures for May-14 have been oscillating between £152 and £157/t so far in February but have remained above the lows set in January. Prices lack any real direction at this stage but remain influenced by strong global demand (stimulated by this season's lower prices) and talk surrounding new crop conditions – it remains too early to draw firm conclusions from this. New crop futures for Nov-14 remain just below £150/t, but have seen a sustained rally of around £5 so far this month.

In the US, milder weather this week is expected to melt some of the snow cover and there are fears that a cold blast next week could damage unprotected wheat crops. The arrival of rain in parts of Brazil are lending support to the developing second (safrinha) maize crop although the any return of dry weather in March would be a concern, which could deliver further stress.

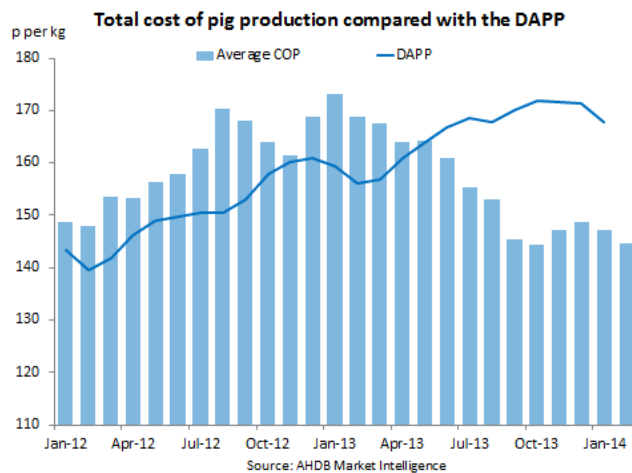


February so far has delivered support for global soyabean and meal prices with US soyabean futures for May-14 reaching nearly \$500/t, the highest values since September. From a UK perspective this has been offset by the strength of sterling.

The dry weather in Brazil has led many forecasters to cut their soyabean crop estimates. Recent rains have alleviated some concerns and allowed prices to ease, although the weather through March will be critical. As well as recent dry weather, the ongoing issue of export logistics is refusing to go away and is likely to prevent the market fully responding to Brazil's crop.

In the US, the USDA expects farmers to plant more soyabeans and less maize and wheat in response to production economics. The US area is forecast to expand by 3M acres to 79.5M acres.

Since July, the pound has shown a gradual but clear strengthening trend against both the US dollar and the euro. The general impact of this in agricultural prices is negative, but this is partly offset by reducing of input prices. As soya meal is the higher price commodity, the impact of currency will be greater than for wheat. At the average dollar price, the currency movement since July has pulled the sterling price of soya meal back by £35/t. It is important to keep in mind that the movement in currency is, at least in part, offsetting the rising global soya meal price. If sterling stabilises, or indeed weakens, then action may be required.



Latest AHDB/BPEX provisional estimates put the average cost of pig production in February at 144.7p/kg. This is over 2p lower than the estimate for January, as a result of a further fall in compound pig feed prices, which were at their lowest level in over two years. The latest estimate puts production costs 24p/kg below their level a year earlier, although they have been broadly steady since September, in line with the stable global cereals and oilseeds markets. Based on forward quotes for feed, costs are set to remain at similar levels until this summer's

harvest and could even fall further after that, if global weather conditions remain favourable.

With the DAPP currently still well above its level a year ago, producer margins remain positive. They will make an estimated £16 per pig in February, a similar margin to January but lower than the levels through the closing months of 2013. Nevertheless, with pig prices well below the peak of production costs during 2012-13, producers relying on the spot market remain vulnerable to any increase in feed prices, due to weather or other factors.

CONSUMPTION

During the 12 week period to 2 February, consumers bought 1% more pork compared with the same period a year earlier, according to figures from Kantar Worldpanel. The increase in sales was, in part, driven by a small rise in the amount of pork sold on promotion, accounting for nearly half of total sales. This limited the overall increase in consumer spending on pork, which showed only a marginal increase on the year for the 12 week period. Increased demand for shoulder joints led the drive for pork, with consumers buying 6% more over the 12 week period. Other roasting joints also showed increased sales, as well as growth in demand for pork chops. With the exception of leg roasting joints, increased sales were made on promotion for all of these products.

Sausage consumers have been 'trading-up', with demand shifting from standard and economy ranges to higher quality premium sausages. Sales of standard and economy ranges fell by 3% and 14% respectively for the 12 week period, while premium sausages recorded growth of almost 1% compared with the same period last year. With little change in the quantity sold on promotion, consumers spent almost 10% more on premium sausages than last year.

Bacon sales dropped over the 12 week period, with shoppers buying almost 4% less than a year before. With a fall in sales on promotion, there has been a 3% increase in the average price of bacon,

resulting in only a 1% drop in spending. However, on a promising note, sales of British bacon increased over the period; consumers bought almost 5% more British bacon, with total expenditure increasing by 7%.

Ham figures continued to look encouraging, with volume sales up by 4% and spending up by almost 6%.

Trends in retail meat purchases (period ended 2 February 2014)

	4 weeks 2014/13			12 weeks 2014/13			52 weeks 2014/13		
	Q	E	P	Q	E	P	Q	E	P
	% change compared with a year earlier								
Fresh and Frozen Meat, Poultry and Bacon	-3	-1	+3	-1	+2	+4	-2	+3	+5
Pork	+2	+1	-1	+1	+0	-1	-2	+2	+4
<i>Belly</i>	-2	+0	+2	-6	-1	+5	-8	-0	+9
<i>Chops</i>	+11	+11	+0	+9	+8	-0	-3	+1	+5
<i>Steak</i>	-4	-3	+1	-4	-2	+2	+0	+3	+2
<i>Leg Roasting Joint</i>	-3	-14	-12	+1	-11	-11	-5	-8	-4
<i>Loin Roasting joint</i>	-2	-1	+1	+3	+1	-2	+3	+5	+1
<i>Shoulder Roasting joint</i>	+11	+10	-1	+6	+8	+1	-8	+2	+11
Pork Marinade	-9	-6	+3	-8	-5	+4	+1	+9	+7
Bacon	-3	-3	-0	-4	-1	+3	-5	-1	+3
Beef	-8	-0	+9	-5	+4	+9	-4	+3	+7
Lamb	-7	-3	+4	-4	+1	+5	+8	+6	-2
Poultry	-2	-0	+2	+0	+3	+2	-2	+5	+6
Processed products									
Pork Sausages	+0	+6	+6	-1	+8	+9	-3	+9	+13
Fresh Pre-packed Pork Pies	-3	+2	+5	-4	+2	+6	-10	-2	+8
Fresh Pre-packed Sausage Rolls	+1	+5	+4	-2	+6	+8	-5	+5	+10
Pork Chilled Ready Meals	+7	+5	-2	+4	+1	-3	+2	+8	+6
Pork Sliced Cooked Meats	+4	+6	+2	+3	+6	+2	+2	+4	+1

Q = quantity purchased, E = expenditure, P = price

Source: Kantar Worldpanel

This pig meat sector UK market update was prepared by:

Prisha Patel and Stephen Howarth

AHDB Market Intelligence

Phone: +44 (0)24 7647 8856/8758

e-mail: stephen.howarth@ahdb.org.uk; prisha.patel@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](#).

© 2014 Agriculture and Horticulture Development Board. All rights reserved.