



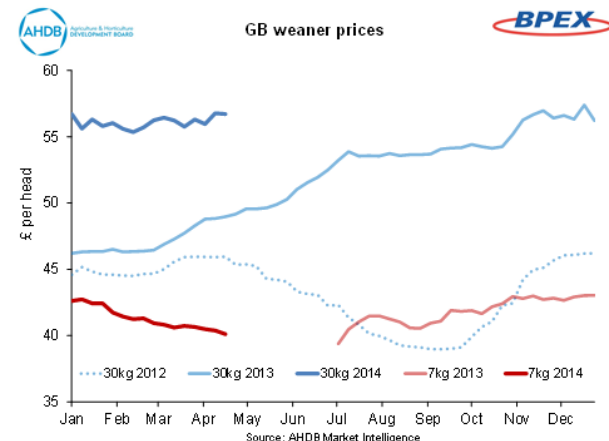
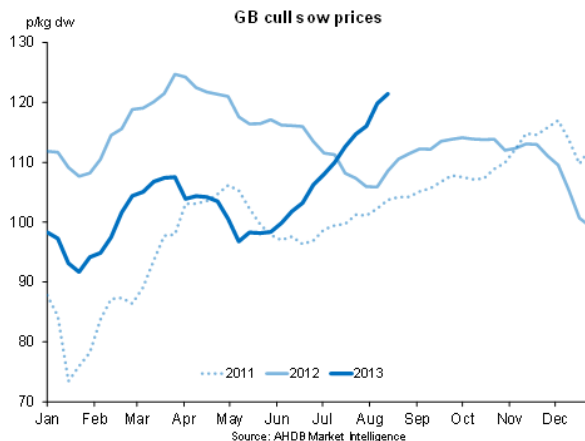
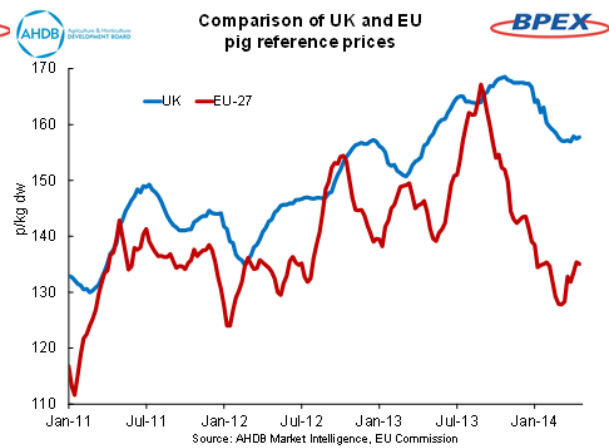
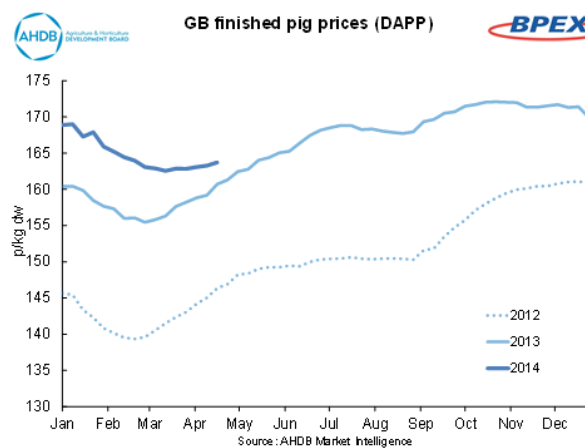
## United Kingdom Pig Meat Market Update

May 2014

### UK PRICES

GB finished pig prices fell for the fifth consecutive month, with an average of 162.78p per kg in March. This was 1.39p lower compared with the previous month. Prices normally rise in March but the recent outbreak of African Swine Fever (ASF) in the EU caused prices to drop across the continent. Despite the decline, finished pig prices were almost 6p per kg higher compared with the same month last year, although the annual gap has somewhat narrowed in recent months. Pig prices in April showed the delayed seasonal increase, to reach 163.71p per kg for the week ended 19 April, up 3p on the same week a year earlier.

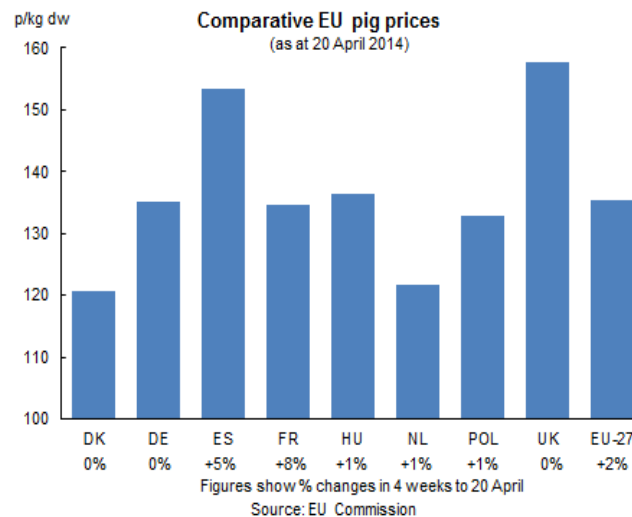
Carcase weights in the DAPP sample picked up marginally from the previous month, against the normal seasonal trend, averaging 80.67kg in March. This was almost a kilo higher than in March 2013. However, recent weeks showed some signs of the seasonal decline normally expected from mid-March. For the week ended 19 April, carcase weights fell to 79.88kg, their lowest point so far this year, although they often drop temporarily around Easter. However, weights remain well above last year's level, offsetting tight pig supplies, which remain similar to a year earlier.



The price of a 30kg weaner fell during March and averaged £55.93 per head. This meant that the average price was only marginally down on the previous month but remained £8 per head higher compared with the March 2013. So far in April, the weaner price has generally increased slightly, in line with the normal seasonal trend. For the week ended 19 April, the price of a 30kg weaner reached £57.75 per head, its highest point since December. The monthly average price for a 7kg weaner edged down to £40.54 per head and prices have fallen a little further during April, averaging £39.89 per head in the latest week.

## EU PRICES

EU pig prices declined to average just under €156 per 100 kg in March. This was largely due to the impact of the Russian restrictions on EU pork imports. The EU pig market reached the lowest point for the year so far in early March at €151.39 per 100kg, over €20 below last year's level. However, in the last few weeks, the impact of the Russian ban has started to fade away, as prices strengthened to around €164 per 100kg for the week ended 20 April. This meant that the price differential between the EU and UK market narrowed from a peak of €40 to around €27 per 100kg. These rises came in response to favourable weather conditions, which stimulated EU consumer demand, and better prospects on Asian markets given the sharp rise in US prices.



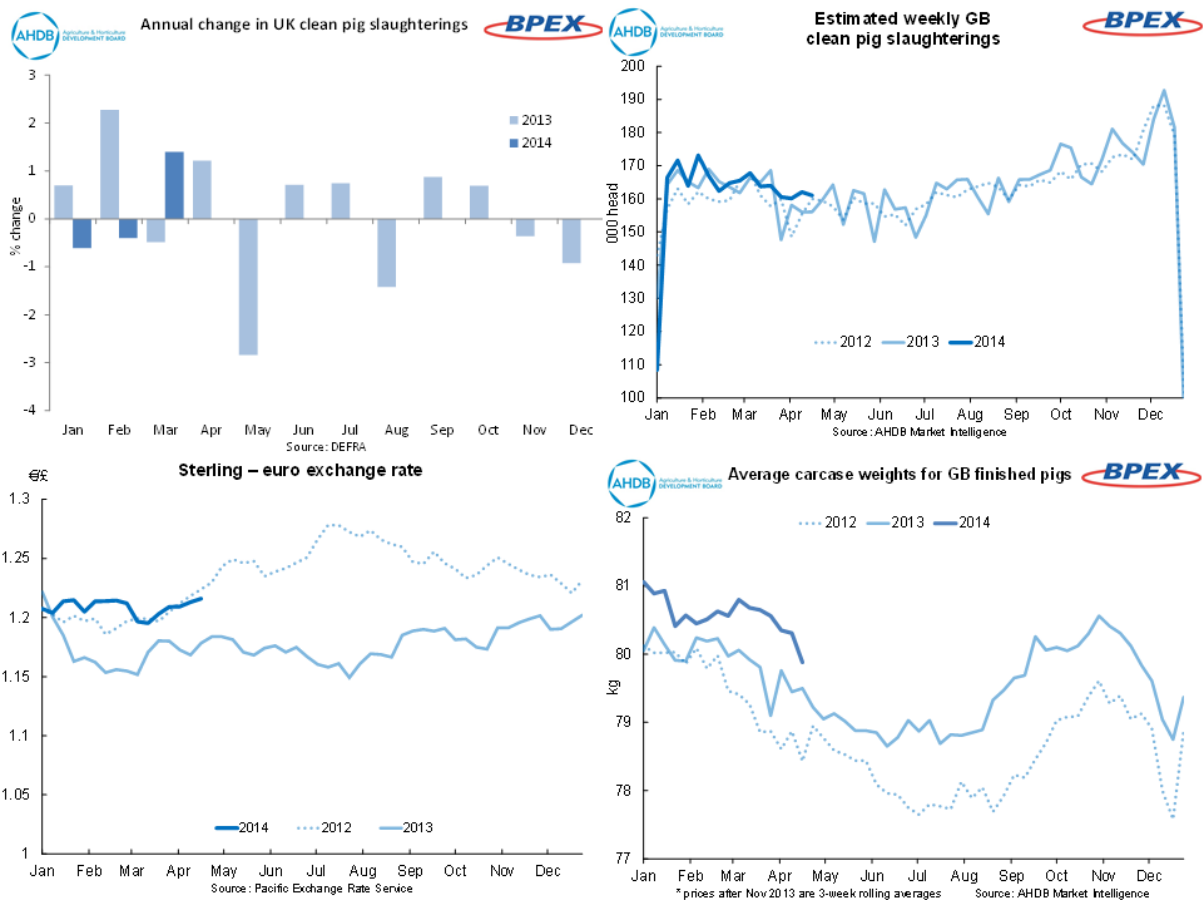
Surprisingly, the recent recovery was most evident in Poland, where prices in the week ended 20 April were €27 per 100kg above their low point, although they had stabilised since late March. Poland has been free of new ASF cases for over a month, as reported by the World Organisation of Animal Health; this could be a factor encouraging Polish prices as of late. Elsewhere, amongst the key producers, prices generally strengthened by between €10 and €20 compared with the low point in early March, although Danish prices had only increased by €5 per 100kg.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK clean pig slaughterings in March totalled 778,000 head. This was 1% higher compared with the same month in 2013. Higher throughputs this year are partly a result of one extra working day, given the Good Friday Bank Holiday fell in March last year. There was a similar trend in England and Wales, whereby throughputs increased by almost 2% to 632,600 head. Pig slaughterings in Northern Ireland also rose by 2% on a year earlier, as a result of higher domestic supply. Scottish throughputs were down 8%, however.

Adult pig slaughterings in March totalled 19,800 head, almost 4% lower than the same month in 2013, continuing the recent decline. Clean pig carcase weights during the month averaged 81kg, up 2% on the

same period in 2013 and only marginally lower than the record levels in January and February. Consequently, pig meat production increased by 3% year on year to 65,800 tonnes in March.



UK clean pig slaughterings in the first quarter of this year showed some stability, with only a marginal increase on a year earlier, to a fraction over 2.5 million head. However, higher carcass weights encouraged pig meat production, which was up 2% to 212,200 tonnes.

According to the latest figures published by HMRC, UK pork imports in February strengthened by 6% on the year to 25,900 tonnes. The increase was largely a consequence of higher supplies from Germany, up 22% compared with the same month in 2013. In addition, increases were recorded from some smaller suppliers, including France and Spain. Higher imports in the latest month perhaps indicated that some UK buyers took advantage of the large gap between EU and UK prices, particularly after the ASF cases in Poland and Lithuania. However, Denmark as the primary supplier reduced trade with the UK by 4% year on year. Less product was also imported from the Netherlands (down 9%) and Ireland (down 4%) than in the previous February. Bacon imports were marginally down on a year earlier at 19,900 tonnes, although Danish and Dutch supplies were both up by 7%. Processed ham imports were higher by 6%, despite shipments from Ireland, the leading supplier, falling by 8%. Similarly, sausage imports were also up 7% year on year.

UK pork exports, on the other hand, weakened slightly in February, with shipments down 1% on the previous year at 14,000 tonnes, the first year on year decline since July 2012. This was largely a result of lower supplies to Asian countries, while the decline was somewhat offset by a 7% increase in exports to EU markets. The largest share was shipped to Germany, where trade fell by 2% on the year. Exports to other key EU markets also declined, including Ireland (down 2%) and Denmark (down 5%). However,

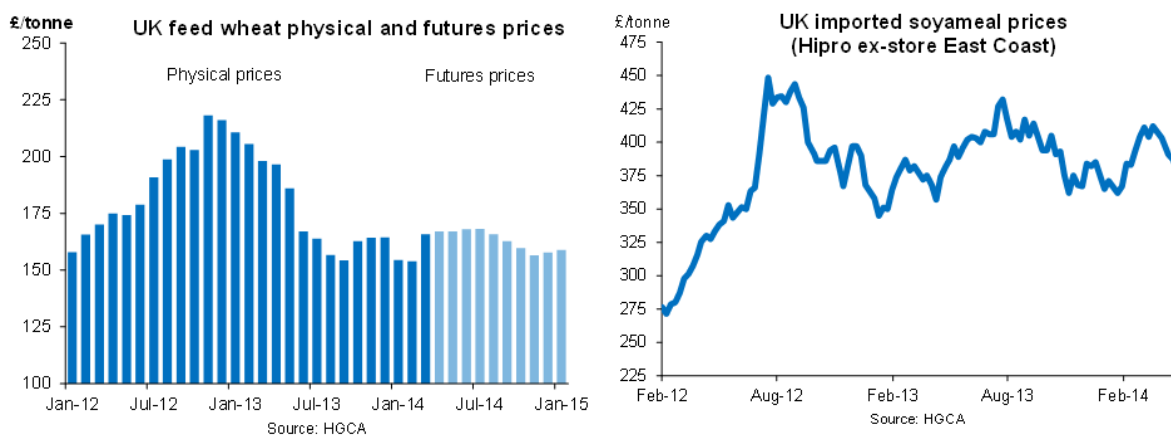
these drops were more than offset by rises to smaller EU markets such as the Netherlands, Italy, Belgium and France. Outside the EU, UK pork exports to China and Hong Kong declined by 18% and 22% year on year respectively.

Offal exports in February more than halved, down to 2,600 tonnes, mainly due to lower shipments to EU markets, which have struggled for a number of months. From 3,800 tonnes last February, supplies to the continent fell to 900 tonnes, down 76% year on year. However, exports to China remained strong, being up 23%, and supplies to Hong Kong were at similar levels to 2013.

## FEED MARKET

UK feed wheat futures have declined recently for both May-14 and November-14 contracts, to £167.90/t and £157.40/t respectively. Markets followed a downward trend after the Easter weekend as much needed rain was welcomed to major US growing states. Values declined sharply on the Tuesday after Easter, as the UK market caught up with the US market that was not closed for Easter Monday. May-14 contracts for wheat had reached a six month high on 16 April as prices touched £170.25/t, the top price seen since October 2013. November contracts also saw a four week high, as prices reached £161.00/t, the highest price since 25 March.

The latest trade data from HMRC showed the largest drop in maize imports for the season so far between January and February. At 172Kt in February, UK maize imports were 45% lower than in January. Wheat imports, at 82Kt in February, were 34% lower compared with January and brought the cumulative total for July-February to 1.55Mt. Barley exports from the UK, at just under 80Kt, were only slightly higher than January's total.



Paris MATIF futures maize contracts for June-14 have stayed around £150/t since February. Prices closed at £152.94/t on Wednesday 23 April, slightly lower than the previous week when prices were at £156.03/t.

Almost all Ukrainian spring wheat, barley and oats are now in the ground, with 100%, 96% and 97% of the intended area planted by 18th April respectively. Maize plantings are ahead of the previous seven seasons' progress, with 10% planted. Risks still exist in terms of acquiring fertilisers and other inputs but with the crop in the ground, the weather is likely to be the key factor for Ukrainian spring crops.

Winter wheat conditions in the US are similar to last year, with 33% rated poor or very poor. Crops are approaching their reproductive stage; 9% of winter wheat has headed compared to 7% last year. However, markets appear to be optimistic that the weather will help the wheat crop.

UK feed ingredient prices have seen volatility over the last month and have been following a downward trend since the end of March. Hi-pro soyameal prices reached an eight month high on 21 March, with prices reaching £412/t. However, prices settled at £387/t a month later (22 April).

Lower EU rapeseed supply, due to strong demand, provided support to UK and EU rapeseed prices in February and March. By 7 March, delivered rapeseed prices into Erith reached £342/t, the highest value seen this season. Rapemeal Prices closed at £241/t on 22 April, a four week high. For most of March and April prices settled around £238-239/t.

Defaulted cargoes by China may be attributed to the decrease in global soyabean prices. The redundant cargoes coincide with abundant supplies from Brazil and Argentina also hitting the market. China is the largest importer of soyabeans, importing 60% of all soyabeans traded. The world market is increasingly reliant on these imports, so what happens in China will consequently have an impact on global protein feed prices.

Recent shipments of soyabeans to the US from Brazil have also captured ubiquitous attention. The US has traditionally been a key exporter of soyabeans, and only a notable importer on rare occasions. Recent speculations of lessening soyabean stocks for the US could be calmed if imports continue to gather pace. Brazilian soyabeans going to the US will act as a cap on price as previously the tightness of US soyabean stock had been the driver of the price rally. New crop prices will all depend on developing, and ever changing, weather conditions.

US processors crushed around 136Kt of soyabeans per day in March and could easily accommodate the 55-80Kt that have arrived from Brazil so far. As well as Brazilian imports, the US is also receiving imports from Canada; January to February shipments from Canada have been record highs, despite concerns and criticism over Canadian logistical issues. When combined with the 170Kt of rapeseed also imported over the same time period, import levels equal more than 280Kt. If import rates continue at this pace, US processors may see soyabean tensions decreasing and allow demand to be met without aggressive competition for input supplies.

The soyabean harvest in Argentina has got underway again thanks to drier weather. As at 16 April, only 21% of soyabeans were harvested, compared with 39% gathered at the same point last year. There are some concerns that the heavy rainfall may have damaged some of the soyabean crop and losses are expected. However, for the time being, the Buenos Aires Grain Exchange is maintaining its estimate of 54Mt (4.7Mt higher than in 2012/13).

## **CONSUMPTION**

The amount of pork sold by GB retailers during the first quarter of this year was more than 2% down on last year, according to the latest data from Kantar Worldpanel, but this was largely due to the difference in dates for Easter. Last year's festivities fell at the end of March, as opposed to this year's mid-April celebrations. As such, this year's first quarter sales missed the higher promotional activity associated with the run-up to the public holiday from major retailers. Compared to last year, the total amount of red meat sold was 9% lower for the three month period. Despite the overall reduction in sales, purchases of pork have been supported by consumers switching away from beef and lamb in favour of relatively cheaper meats. Consumers continue to be price-sensitive, reflected in tightened household budgets, with shoppers looking for better value for money.

Bacon sales also fell, down 6% on the previous year for the first quarter, but again largely due to the timing of Easter. Despite this, sales of British bacon increased by 4% and now account for almost a third of total sales. The difference in dates for Easter does not seem to have had a significant impact on sausage sales, with purchases at similar levels to last year. However, the amount spent over the 12 week period was almost 6% higher compared with last year, driven by an increase in the average price. Together with general retail price inflation, there has also been 'trading-up' in quality and sales growth among the discount retailers, which tend to focus on higher quality sausages. Partly as a result of the increase in footfall, sausage sales from the hard discounters grew by more than 60% for the 12-week period compared with last year.

#### Trends in retail meat purchases (period ended 30 March 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								
<b>Fresh and Frozen Meat, Poultry and Bacon</b>	<b>-11</b>	<b>-8</b>	<b>+4</b>	<b>-5</b>	<b>-3</b>	<b>+3</b>	<b>-4</b>	<b>+1</b>	<b>+5</b>
Pork	-4	-5	-1	-2	-4	-2	-2	+0	+3
<i>Belly</i>	-11	-11	+1	-5	-5	-0	-4	+1	+6
<i>Chops</i>	-4	-6	-2	-2	-3	-1	-4	-0	+4
<i>Steak</i>	-4	-5	-1	-5	-5	-0	-0	+1	+2
<i>Leg Roasting Joint</i>	-47	-50	-7	-19	-24	-6	-8	-13	-6
<i>Loin Roasting joint</i>	+18	+18	-1	-1	-6	-6	-4	-6	-2
<i>Shoulder Roasting joint</i>	+16	+12	-4	+5	+5	+1	-6	+4	+10
Pork Marinade	+19	+23	+3	+15	+8	-6	+19	+21	+2
Bacon	-11	-6	+5	-6	-5	+1	-6	-3	+3
Beef	-13	-6	+9	-7	+1	+8	-6	+2	+8
Lamb	-54	-38	+35	-29	-17	+18	-8	-4	+5
Poultry	-2	-2	+1	-1	-0	+1	-2	+4	+6
<b>Processed products</b>									
Pork Sausages	+0	+4	+4	+1	+6	+5	-2	+10	+12
Fresh Pre-packed Pork Pies	-1	+3	+4	+3	+5	+2	-5	+0	+6
Fresh Pre-packed Sausage Rolls	-5	-0	+5	+1	+4	+3	-2	+6	+9
Pork Chilled Ready Meals	+24	+9	-12	+13	+10	-2	+5	+9	+4
Pork Sliced Cooked Meats	+7	+8	+1	+4	+6	+1	+3	+5	+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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