

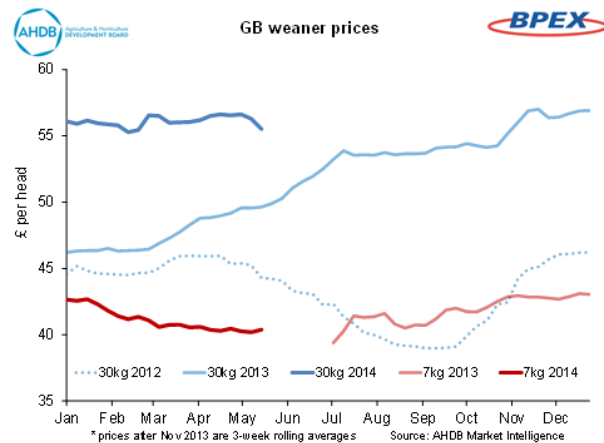
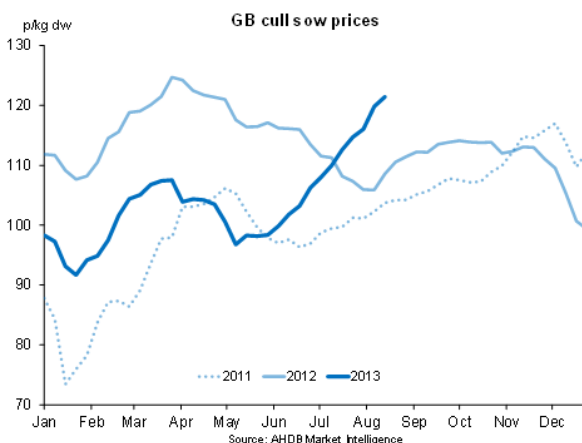
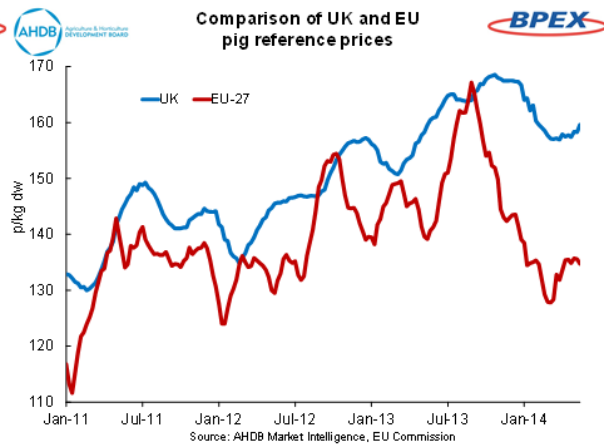
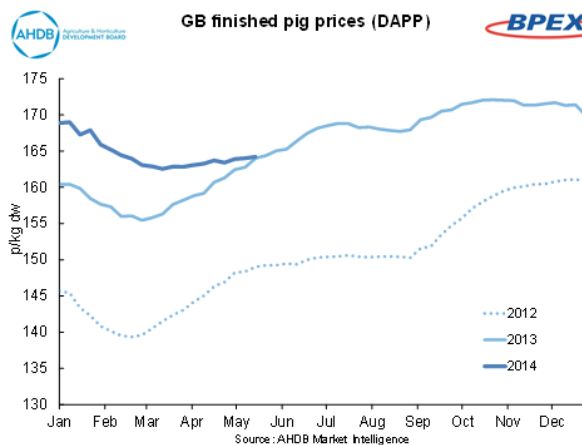


United Kingdom Pig Meat Market Update

June 2014

UK PRICES

The monthly GB finished pig price increased in April for the first time since October, to 163.47p per kg. While pig prices would typically rise from March onwards, this year subdued EU prices delayed the uplift. Last year, the horsemeat revelations meant a higher retailer preference for British pork. However, this year, the availability of lower priced imports into the UK added pressure on the domestic price, although volumes were only slightly higher than a year before. Therefore, the month-on-month change was only a marginal 0.69p increase. Nevertheless, pig prices were still around 3p above last April's level, although the annual difference continued to narrow, having been as high as 18p in July last year. The first three weeks of May showed a further slow but steady recovery in finished pig prices, which reached 164.23p/kg for the week ended 17 May, still marginally ahead of the same week last year.



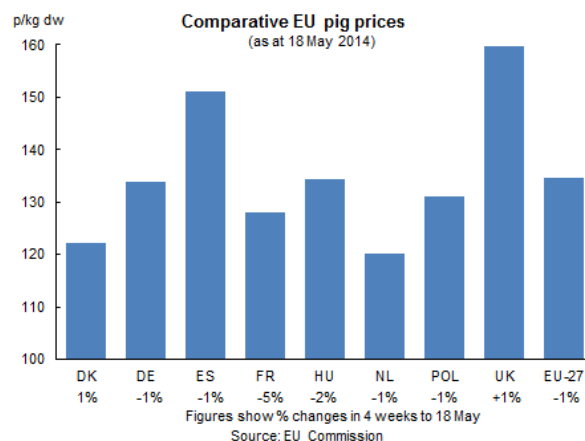
The new GB APP was published for the first time during April. This price series, which will replace the DAPP following a six month transition period, is being collected from sellers (producers and marketing groups) rather than buyers (processors). Otherwise, the definition is the same. To date, the APP has

averaged around 1.8p/kg higher than the DAPP for the same week. This is reflected in the average APP in April, which was 165.25p/kg.

The 30kg weaner market picked up slightly from the previous month at an average of £56.71 per head in April. Rising finished pig prices helped to support the market, despite some increase in feed prices during the month, due to the situation in Ukraine. The latest weaner price was nearly £8 per head higher compared with April 2013. Weaner prices in May continued to show some weekly volatility with little clear direction; the weekly average for week ended 17 May stood at £56.21 per head. The 7kg weaner market in April remained sluggish and was almost unchanged from the previous month at £40.49 per head. This broad stability continued into May.

EU PRICES

The average EU reference price for April recovered from the low point after the ASF cases earlier in the year and reached €163.54 per 100kg. This was around €8 higher than in March but remained below the January figure of close to €170 per 100kg. It was also around €8 lower than a year before. However, EU prices have been sluggish in the first two weeks of May, despite reports suggesting some tight supplies in the market. For the week ended 18 May, the EU pig price stood at €165.19 per 100kg, although it is now close to its level a year earlier. At the latest price, the difference between the EU and UK price is around €30, a smaller gap than earlier in the year, when EU pig prices dropped to their lowest point, but still high by historical standards.



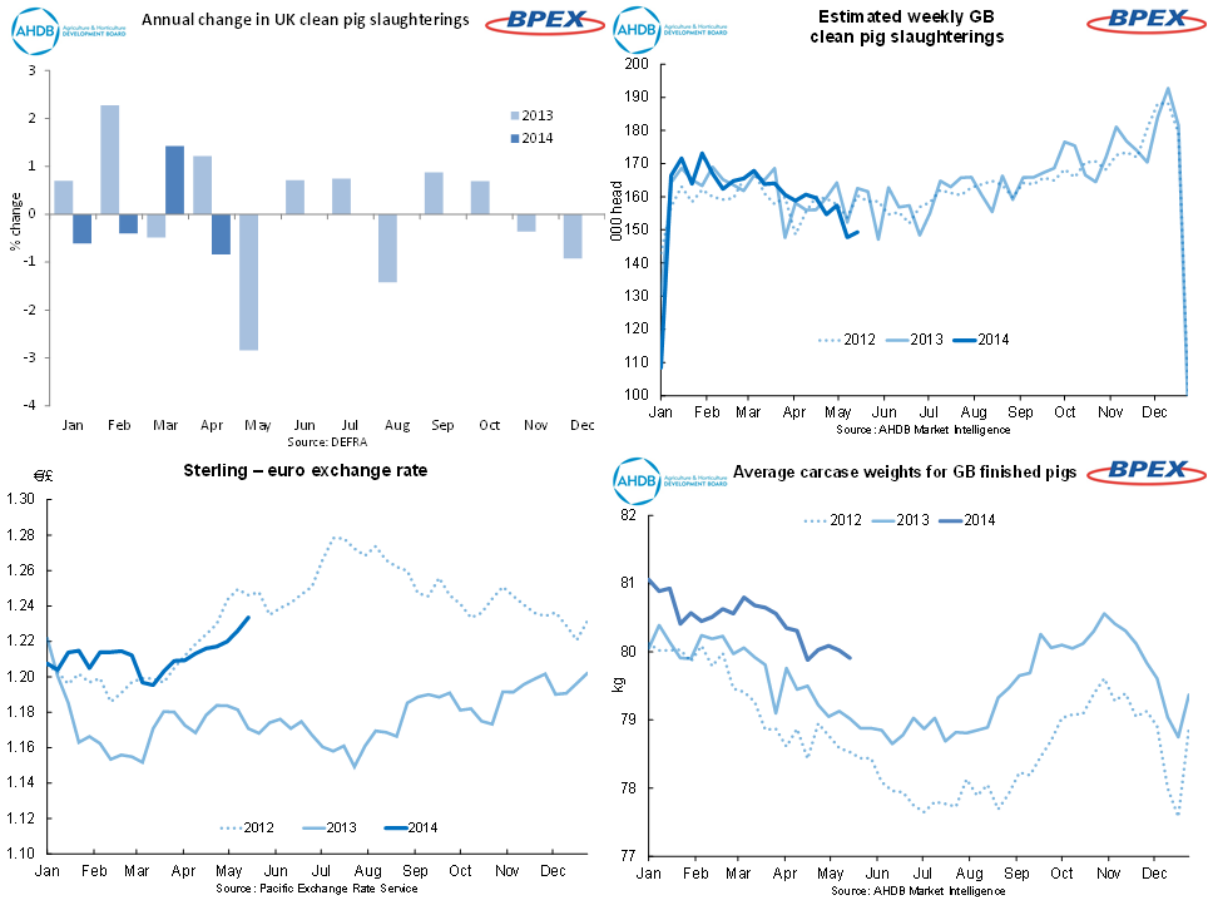
With no new ASF cases reported in Poland and improving demand from Asian markets, pig prices increased during April in all key Member States. Amongst the main markets, the highest increase between March and April was recorded in France where prices rose by €13, followed by Poland (up €11), Spain and the Netherlands (both up €10). Price rises in the other key countries ranged from €5 to €8. During the first couple of weeks in May, prices were broadly stable in most major Member States, except for France where there were some sharp falls, due to subdued demand.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

Latest figures published by Defra recorded a 1% decline in UK clean pig slaughterings in April, to 937,200 head. Fewer working days in April, due to the later Easter Bank Holidays this year, are likely to have affected the kill numbers. Although slaughterings in England remained almost the same as last April at 761,400 head, Scottish throughputs were down by 9% year on year. However, Scotland kills only around 3% of the total kill and hence has a limited impact on the overall figures. The decline was, therefore, mainly driven by a 4% fall in Northern Ireland slaughterings. This brings the slaughtering figures for the

first four months of the year to 3.4 million head, similar to the same period last year, indicating stable supplies.

UK adult pig slaughterings in April totalled 24,100 head, around 3% down on the same month in 2013, a similar rate of decline to the year to date. Reportedly lower sow prices and a younger herd are likely the main factors.



The average clean pig carcass weight in April fell to 80.5kg, the lowest monthly figure since the turn of the year but the highest April figure on record. The seasonal fall in weights has been less apparent this year. As a result, total pig meat production in April increased to 79,000 tonnes. This was 1% higher than the same month in 2013. Given the higher carcass weights throughout the year, pig meat production in the first four months of this year totalled 291,000 tonnes, up almost 2% on the same period last year.

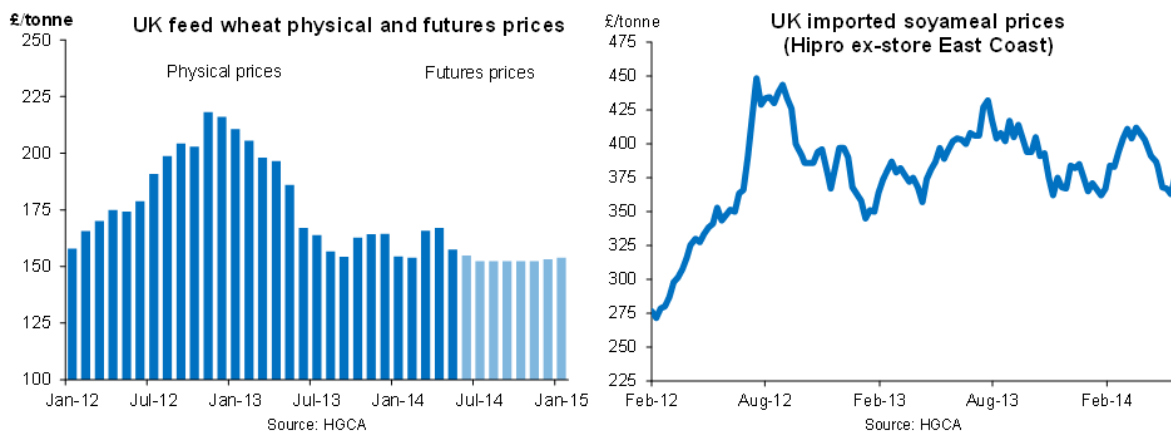
Latest trade figures show that UK pork exports in March were at their highest level since October 1998. The total was just shy of 18,200 tonnes, 13% up on the same month in 2013. In addition, exports to China/Hong Kong topped 5,000 tonnes for the first time ever (with shipments to China at a record 3,300 tonnes). The proportion of total pork exports shipped to the EU fell but volumes grew by 7% compared with March 2013. While supplies to Germany dropped by 8% on the year and shipments to Ireland were little changed, many other EU markets took significantly more UK pork than last March. However, the value of pork exports fell by 3% to £19.8 million, partly due to the stronger pound but also reflecting the lower value of cuts exported to non-EU markets. Despite a higher requirement from China and Hong Kong, offal exports dropped by 30% on the year during March, to 4,000 tonnes, due to much lower exports to EU markets.

Pork imports also increased in March, up 7% compared with a year earlier at 29,500 tonnes. With the exception of Denmark, whose shipments came down by 16% on the year, trade with other key suppliers rose. Germany became the leading provider of exports, increasing shipments by 26% compared with March 2013. Imports from the Netherlands and France also rose, by 8% and 17% respectively. As a result of lower prices, the value of imports in March totalled £56.5 million, only marginally up from a year previously. There was also 4% more bacon imported in March compared with March 2013, mainly due to a 50% rise in Danish supplies; other major suppliers sent less bacon to the UK. Demand for imported sausages also increased by 13% on the year, with higher supplies from across the continent, but other processed imports declined by 6% year on year, despite an increase in shipments from Ireland, the leading supplier.

FEED MARKET

Grain markets began to exhibit weakness from the middle of the month, on the back of increased confidence for next season's supply situation. The entire price rally that emerged alongside the outbreak of tensions in Ukraine has now been undone. Oilseed markets have continued to strengthen over the month, led by soyabeans, as traders are not yet confident that the tight US stock situation will be relieved.

Nov-14 LIFFE wheat fell £9.40 between 23 April and 21 May to £147.90/t, while Nov-14 Paris maize fell £11.50 over the same period to £147.31/t, following losses in global wheat and maize markets. Further deterioration of the US winter wheat condition seems to have helped the market here find some support, although the latest weather outlook suggests that there could finally be substantial precipitation for the drought-affected states. This may be too late to help potential yields recover but it will, at least if realised, further reduce any remaining support for prices.



The release of USDA's World Agricultural Supply and Demand report on 9 May fundamentally altered the direction of grain markets. Increased estimates of global maize supplies next year plus the rapid advance of maize planting in recent weeks eased fears of tight supplies for now. This suggests a higher level of global maize carry-over, which can more than offset the forecast 16% drop in Ukrainian production. At 73% planted, US maize planting progress is only slightly behind the five-year average and ahead of last year's progress (65% at this point), when record yields were achieved nonetheless. Maize yields have also proved to be high in the ongoing South American harvest, leading some production forecasts to be increased for the region earlier in the month.

Weather and crop conditions in the EU are currently looking favourable, with 83% of the French maize crop sown by 12 May, against 77% a year ago and 73% of the wheat crop is rated as good/excellent.

Concerns over Ukrainian (and potentially Russian) farmers' access to finance have already been built into grain prices, although planting progress and crop conditions are very good in both countries. The Russian Agricultural Ministry recently increased its forecast total grain production by 5Mt to 100Mt, which again offers confidence that, globally, any problems can be more than offset to provide sufficient world supplies next season. However, weather remains a key factor and so the market is unlikely to respond fully until forecasts are realised.

In contrast to trends in grain markets, Nov-14 Paris rapeseed prices have changed little over the month while Chicago soyabeans have increased on the back of lack of confidence (so far) that improved supplies next season will be realised. Tightness in current US soyabean stocks, exacerbated by no let up in US crush levels despite firming prices, has leant further support to prices.

However, UK rapemeal and soyameal spot prices have declined over the month, with soyameal (Hi pro, ex store, East Coast) falling £24 between 22 April and 16 May to £363/t and rapemeal (ex-mill, Erith) falling £29 to £212/t. This price ratio places rapemeal currently at a competitive price point relative to soyameal, as the latter is more than 1.6 times the cost. Domestic crop and stock level confidence, as well as the strengthening pound, is helping to insulate the domestic meal market from rising soyabean prices.

The first estimate of world oilseed output in 2014/15 by USDA painted a bearish picture, with production expected to outperform the current season's record. Although total rapeseed production is forecast to be lower than in 2013/14, this is more than offset by the expected record soyabean crop. Interestingly, USDA did not increase their estimates of this season's soyabean production in South America despite various domestic bodies there raising estimates, suggesting the potential for even further downward pressure on prices.

China cancelled a number of further soyabean cargoes around late April due to poor crush margins. Chinese demand for soyameal eased as a result of disease issues in pig and poultry producers, although this may be a short-term effect and margins could improve in a few months' time. By then, more of the South American crop should be available.

Furthermore, there are few concerns about US soyabean planting progress, European rapeseed conditions or the ability of Canada to move its sizeable canola (rapeseed) stocks next season, leaving markets in a fairly benign state for now. Most participants are waiting for more confirmation that the potentially strong supply situation next year will be realised before trading at lower prices. Essentially, the risk of trading at too low a price is too high, given the lowest US stock levels in a decade. In the meantime, the soyabean market continues to trade upwards in an attempt to reduce usage levels that have proven higher than expected.

CONSUMPTION

Shoppers' spending on pork was down 5% year on year during February-April, according to the latest Kantar Worldpanel data. The fall in sales affected both fresh and frozen pork, although fresh fared much better due to maintained levels of promotions against a year ago. A small fall in prices meant that pork was even more competitively priced compared to both beef and lamb. However, this did not translate into increased purchasing, as sales volumes were also down. One reason for this is that a year after the horse meat scandal a re-adjustment in the market has meant that ready meal sales have recovered as consumer confidence has returned to this sector.

Spending on sausages increased 6% over the latest period, compared to a year ago, with growth in both the premium and standard ranges. With premium, the growth was very much price led, as volume sales

were down. Whilst prices were also up for standard sausages, albeit at a slower rate, volume sales grew by 2%, helped by increased promotional activity in each of the Big 4 Multiples.

The amount of bacon bought during the period was down 4%, led by joints and steaks, as levels of promotions fell back. However, volume sales of bacon continue to perform strongly in discounters, where they were up almost 20%. Shopper spend on ham was up almost 5%, led by increases in volume sales, with the discounters again contributing the bulk of the growth.

Trends in retail meat purchases (period ended 27 April 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	+4	+7	+4	-3	-0	+3	-3	+2	+5
Pork	-3	-3	+0	-4	-5	-1	-3	-0	+2
<i>Belly</i>	-17	-11	+8	-9	-7	+2	-7	-1	+6
<i>Chops</i>	-6	-8	-2	-7	-9	-2	-3	-0	+3
<i>Steak</i>	-11	-12	-2	-7	-8	-1	-2	-0	+1
<i>Leg Roasting Joint</i>	+19	+27	+7	-12	-12	+0	-3	-9	-5
<i>Loin Roasting joint</i>	-14	-16	-3	-4	-10	-7	-4	-6	-2
<i>Shoulder Roasting joint</i>	-3	-2	+1	-1	+1	+2	-7	+2	+10
<i>Ribs</i>	-1	+3	+4	+12	+10	-1	+1	+9	+7
<i>Marinades</i>	+35	+29	-5	+30	+23	-5	+22	+24	+2
Bacon	+5	+6	+1	-4	-2	+2	-5	-2	+3
Beef	+0	+8	+8	-4	+3	+8	-5	+2	+8
Lamb	+75	+50	-14	-10	-3	+8	-2	+1	+3
Poultry	-3	+1	+4	-2	-0	+1	-2	+3	+5
Processed products									
Pork Sausages	-2	+6	+9	+0	+6	+6	-2	+10	+12
Fresh Pre-packed Pork Pies	+12	+12	-0	+8	+8	+0	-3	+2	+5
Fresh Pre-packed Sausage Rolls	+8	+14	+5	+3	+7	+3	-1	+7	+9
Pork Chilled Ready Meals	+23	+3	-16	+18	+10	-7	+6	+8	+2
Pork Sliced Cooked Meats	+2	+4	+2	+4	+5	+2	+3	+5	+2

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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