

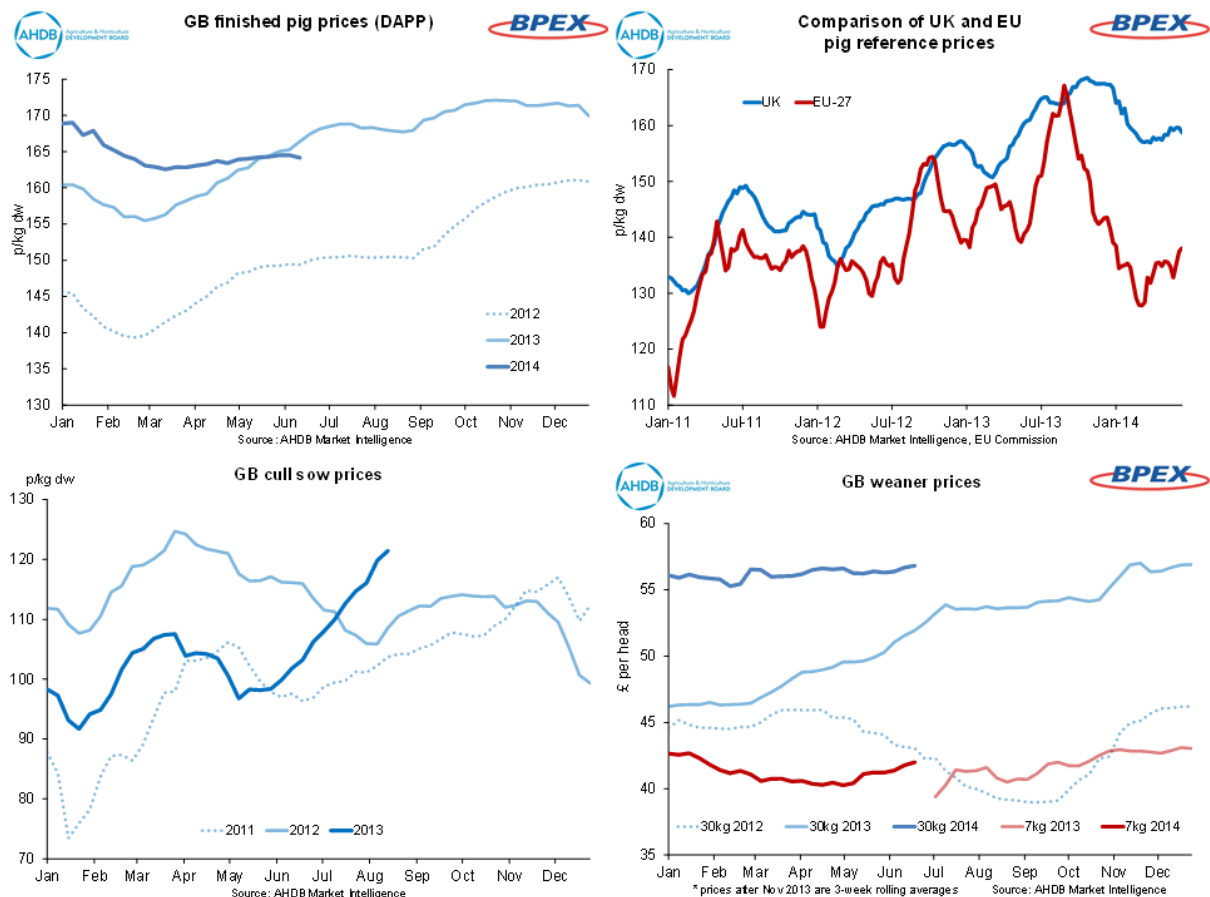


## United Kingdom Pig Meat Market Update

July 2014

### UK PRICES

The EU-spec DAPP averaged 164.25p per kg in May, less than a penny higher than in April. This represented the smallest increase for this time of year since 2005. With prices increasing more slowly than is normal this spring, the average was almost the same as it was in May 2013. The gap to year earlier levels has narrowed every month since July, when it peaked at just over 18p per kg. A modest increase in domestic supplies and rising imports, on the back of relatively low EU prices, contributed to the sluggish market this year. Subdued consumer demand, particularly for fresh pork, also had a part to play.



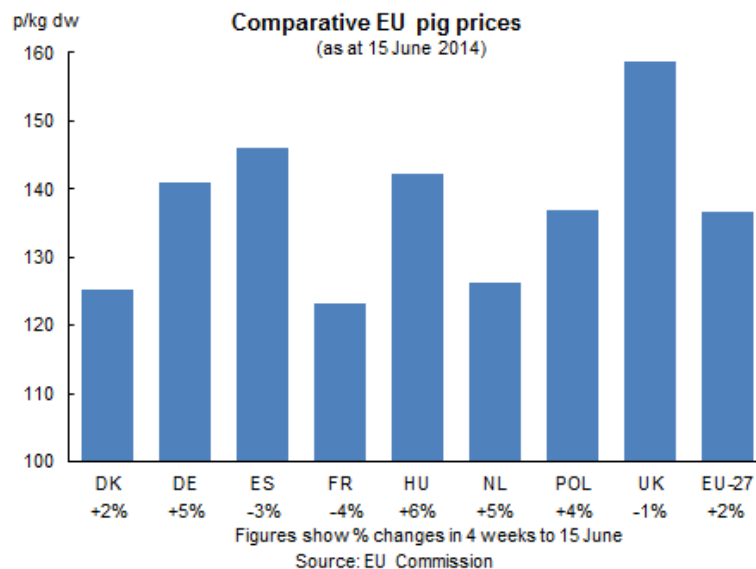
Towards the end of May, the DAPP dropped below its level a year before for the first time since August 2012. The market remained finely balanced in early June, with a drop in the second week taking the EU-spec DAPP to 164.15p per kg. The new GB APP showed a similar trend, with the monthly average for May less than a penny higher than in April at 166.12p per kg.

The broad stability in the weaner market which has been apparent since last summer continued in May and early June. Despite the soft finished pig market, low feed prices mean that finisher confidence

remains fairly buoyant. The average price for a 30kg weaner during May was £56.13, slightly lower than in April but in line with recent months. Breeders were, on average, still receiving £6 more for each weaner than they were a year ago. The 7kg price is showing some signs of strengthening. The average May price of £40.87 per head was only 38p higher than in April but by mid- June, the price had reached £41.99, its highest level since late January.

## EU PRICES

EU pig prices were broadly stable during May, averaging just under €164 per 100kg. This was around €2 higher than the April average but was still below the level recorded last May. However, by the end of the month, prices were close to their level a year before. Strong orders from Asia had helped to mitigate the loss of the Russian export market. On the European market, somewhat dull weather kept a lid on demand but the arrival of better conditions brought the barbecues out in northern Europe. This led to prices resuming their upward trend as May gave way to June. By week ended 18 June, the EU average price had almost reached €170 per 100kg, its highest level of the year so far and similar to a year earlier.



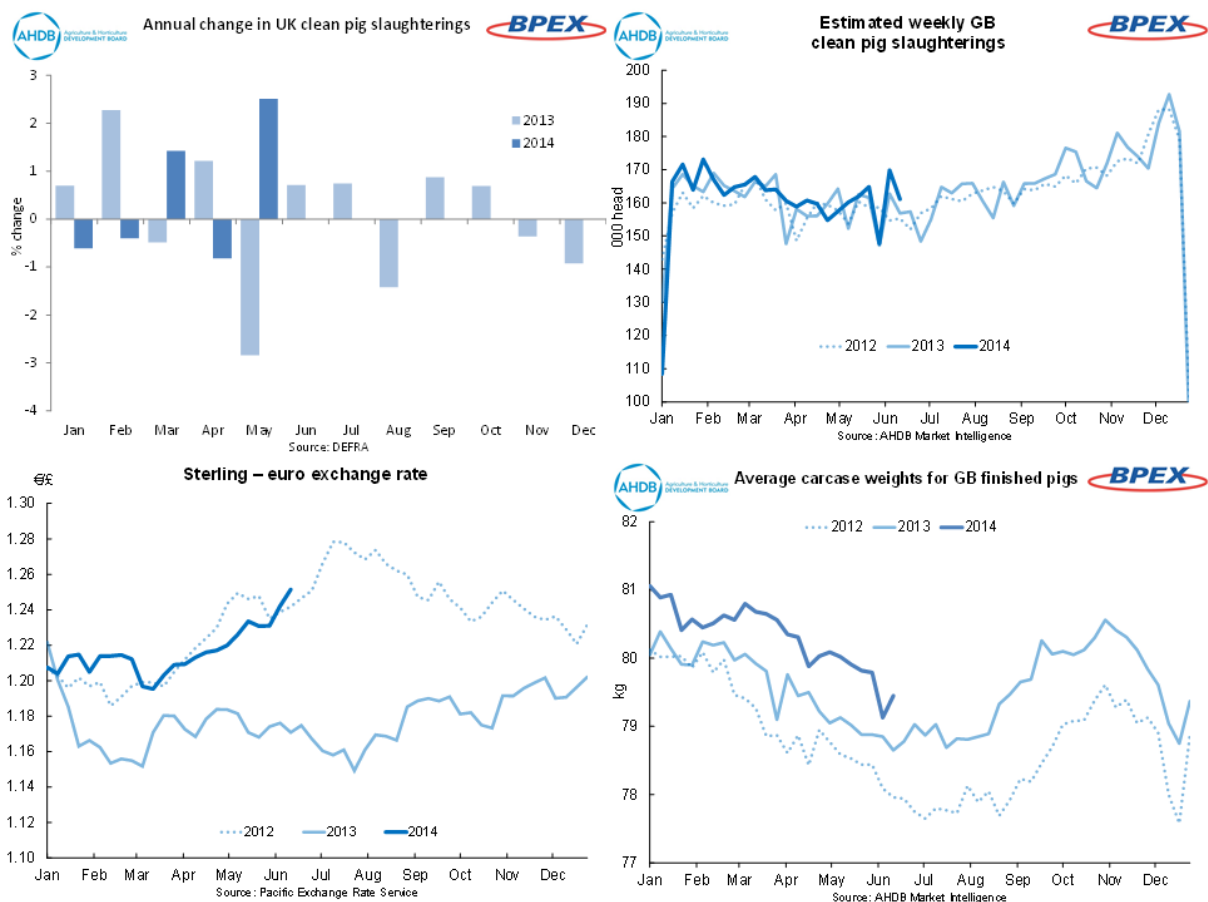
Prices in most northern Member States were higher in May than in April, in most cases by around €2-3 per 100kg. For example, German prices increased by just under €3 to €166.47 per 100kg. In contrast, both French and Spanish prices were under pressure as supplies were somewhat more plentiful and consumer demand subdued. The average Spanish price in May was €3 lower than in April, while the French average was down by €5. In early June, prices were rising in most major EU countries, although the French market remained somewhat subdued.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

May clean pig slaughterings in the UK totalled 751,300 head. This was nearly 3% higher than in the same month last year, the biggest annual increase since December 2012. However, it is worth noting that throughputs were particularly low in May 2013 and this year's figure was lower than in May 2012. Overall, supplies remain relatively tight, with slaughterings for the first five months of the year virtually unchanged on a year earlier at 4.19 million head. During May, English throughputs matched the growth rate of the UK as a whole, while Northern Ireland also recorded an increase, with 4% more pigs killed than last May. However, Scottish slaughterings were 6% lower.

Clean pig carcase weights continue to track well above year earlier levels. The normal seasonal decline in weights has been later and less marked this year, as it was last year. Since the start of this year, weights have averaged around three-quarters of a kilo heavier than a year before, helping to offset relatively tight pig supplies.

UK adult pig slaughtering recorded a year-on-year increase for the first time since June 2013. At 19,400 head, they were 2% up on the year. This added to the amount of pig meat produced during the month, as did heavier clean pig carcase weights. At 80.4kg, the average carcase was lighter during May than was the case during the previous four months. However, this still represented a record level for the time of year (and indeed the five heaviest average carcase weights on record have all been this year). As a result, the UK produced 5% more pig meat during May than a year before. Total output was 63,200 tonnes



The latest figures from HMRC show a 6% year-on-year increase in UK pork imports in April, to 29,200 tonnes. Supplies were up from the majority of key suppliers, with the exception of Denmark (down 11%) and Ireland (down 23%). However, these declines were more than offset by stronger trade with other EU countries. Imports from Germany increased by 14% on the year, making it the leading supplier for the second straight month, while shipments from the Netherlands and Belgium increased by 19% on a year earlier.

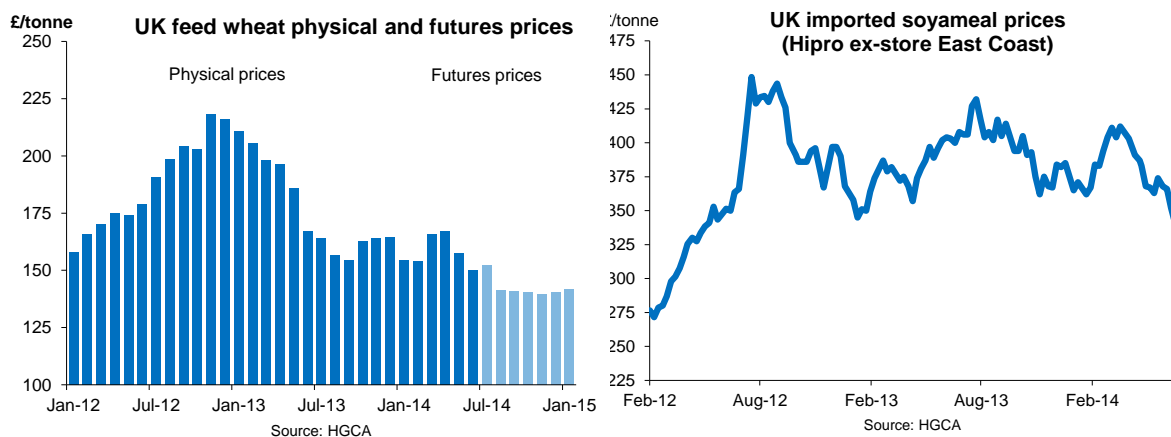
Imports of bacon and ham also rose by 6% compared with April 2013, at 19,900 tonnes. Denmark and the Netherlands are the two main suppliers of bacon to the UK and in April the Danes led the market with a 19% increase, while Dutch volumes were 4% down on the year. There was a similar trend in sausages, imports of which rose by 12%, and other processed products, with volumes up 11% year on year. In both cases there was a rise in imports from Ireland, Poland and Germany but lower Dutch shipments.

UK pork exports showed a mixed picture in April, although overall shipments were almost unchanged at 15,100 tonnes. Germany continued to lead the market, with trade up by 31% on a year earlier, recording the highest April figure since 2008. However, after a record month in March, shipments to China were down by a fifth on the year, meaning Ireland displaced it as the second most important export market during the month. The drop in Chinese trade was replicated in other non-EU markets, with shipments down 23% overall. There was a clear downward trend for offal exports, a 35% decline compared with April 2013. The significance of UK offal declined further on the EU market, where volumes fell by 45% year on year. However, unlike other recent months, offal shipments to China/Hong Kong also came down.

## FEED MARKET

Grain markets have had a bearish tone in recent weeks and prices have continued to decline throughout June, with record contract lows being reached on several occasions. Confidence for next season's supply remains strong as crop conditions look healthy across the UK and on a global scale. With larger yields and strong crop areas anticipated, it is likely that the UK will return as a net exporter next season. Therefore, price competitiveness with other EU exporters, which also have good crop prospects, is imperative. Oilseed markets have been supported on a short term basis by low US soyabean stocks. Palm oil prices have also been maintained by stronger demand ahead of the start of Ramadan (29 June).

Nov-14 LIFFE wheat prices declined by £12.30/t between 16 May 2014 and 16 June; prices hit their lowest point so far on 16 June, at £136.20/t. During the same time period, prices for Nov-14 Paris maize contracts also fell €8.75/t, reaching their lowest since October 2013 on 17 June, at €174.50/t.



The June USDA supply and demand estimates, released on 11 June, continued to paint a mainly bearish picture for the grain markets. Larger 2014/15 wheat crops in India, EU, Russia and China offset the decline in US wheat production, which was previously helping to support grain prices. The International Grains Council (IGC), revised down their estimates for global wheat production by 2%, due to the expectation of more "normal" yields compared with last year's highs. Estimated total maize output was increased by 1%, on the back of favourable crop prospects.

The threat of El Niño and dry weather in some parts of Australia, led to the downward revision of the Australian wheat crop from 24.8Mt to 24.6Mt. There are low levels of soil moisture in northern New South Wales and Queensland and expectations of above average temperatures in Australia this winter. The threat of El Niño is becoming more apparent, with reports of a 70% chance of the phenomenon occurring during the southern hemisphere spring (from August 2014).

Fourth official estimates of UK cereals supply and demand were published at the end of May. Compared with the March estimates, the amount of wheat, barley, maize and oats used in animal feed this season was revised 81Kt higher to 11.3Mt. Compared with 2012/13, this is a decline of 0.4%. The usage data shows a higher cereal incorporation rate (CIR) in compound feed production than in recent years. The CIR in compound animal feed production has averaged at 40.6% compared with 39.1% for the same period in 2012/13. Lower grain prices, relative to other feed ingredients, are likely to be the main incentive behind this season's higher CIR.

Nov-14 Paris rapeseed also saw large declines of late; in the month to 16 June prices dropped €10/t. Chicago Nov-14 soyabean prices increased by \$2.02/t during the same period, a result of tight current US soyabean stocks. It was reported that US processors ran down stocks of soyabeans to meet significant Chinese demand for soyameal through the winter. With strong export demand and rising US soyameal prices, old crop (Jul-14) soyabeans reached a 3-week high on 29 May. However, fundamentally the outlook for the new crop is unchanged, with large global supplies expected.

The latest USDA export sales data reveal that, as at 22 May, 5.49Mt of US soyabeans had been sold to China for delivery in 2014/15, representing 58% of total new season sales. A further 110Kt of US soyabeans were sold to China by private exporters during the past week. Better crush margins in China are likely to be behind renewed levels of demand.

Physical UK rapemeal and soyameal spot prices have continued to decline over the month, with soyameal (Hi pro, ex store, East Coast) falling £16 between 2 May and 13 June to £352/t and rapemeal (ex-mill, Erith) falling £10/t to £214. European new crop rapeseed is becoming increasingly competitive relative to US soyabeans and Canadian canola (rapeseed). Good European crop prospects and tight US soyabean stocks have caused the respective crop prices to converge, which could support demand for EU rapeseed.

The 2014/15 rapeseed crop is looking good across Europe according to Strategie Grains, leading to the analysts increasing their production estimate by 0.2Mt, making it 3.3% higher year-on-year. Crop development is a few weeks ahead of schedule in Germany, as is generally the case in the UK, as revealed by the latest report from ADAS. Australian canola production is projected at 3.47Mt by the Australian government bureau ABARES, down from 3.76Mt in 2013/14. The area is up 3% but yields are expected to return to more typical levels after the highs in 2013/14.

## **CONSUMPTION**

Shoppers' spending on pork was down 4% year on year during March to May, according to the latest Kantar Worldpanel data. The fall in sales was driven by declining expenditure on chops/steaks and leg roasting joints. Despite lower prices for these cuts, this did not translate into greater purchasing as volume sales also suffered, most notably on leg roasting joints, where sales fell by just over 20%. This has been led by a drop in promotional intensity in one of the major multiples and some consumers, particularly those shopping with the hard discounters, switching to chops/steaks. Despite these switching gains, volume sales of chops/steaks also fell, partly due to a shift from volume-driving X for Y promotions to price promotions. The one sector that continues to perform well is mince, which enjoyed volume growth of a fifth against a year ago.

Spending on sausages increased 2% over the latest period, compared to a year ago. While growth came from all categories, standard sausages contributed some two thirds of the actual growth in value sales. The growth in the standard tier was driven by increased prices across most retailers, which did not impact on volume performance. Expenditure on bacon was flat year on year, with a 3% drop in volume sales

being offset by an equal increase in prices. Shopper spend on ham was up 6%, driven in the main by increased volume sales in the discounters, where prices were down some 5% against a year ago.

### Trends in retail meat purchases (period ended 25 May 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>-3</b>	<b>-1</b>	<b>+2</b>	<b>-4</b>	<b>-1</b>	<b>+3</b>	<b>-3</b>	<b>+1</b>	<b>+5</b>
Pork	-1	-4	-3	-3	-4	-1	-2	-1	+2
<i>Belly</i>	+10	+10	+0	-7	-4	+3	-5	+1	+6
<i>Chops</i>	+3	-0	-3	-2	-5	-3	-2	-0	+2
<i>Steak</i>	-2	-9	-7	-5	-9	-3	-2	-1	+1
<i>Leg Roasting Joint</i>	-22	-29	-8	-21	-22	-1	-7	-13	-6
<i>Loin Roasting joint</i>	+38	+44	+4	+17	+16	-1	+2	-1	-3
<i>Shoulder Roasting joint</i>	-6	-10	-3	+2	+0	-2	-5	+3	+8
<i>Ribs</i>	-6	-6	-0	+8	+7	-1	+2	+8	+6
<i>Marinades</i>	+5	-1	-6	+18	+13	-4	+24	+26	+2
Bacon	-2	-0	+2	-3	+0	+3	-5	-2	+3
Beef	+3	+4	+1	-4	+2	+6	-5	+2	+8
Lamb	-27	-18	+12	-15	-8	+8	-4	+0	+4
Poultry	-3	-0	+3	-3	-0	+2	-2	+3	+5
<b>Processed products</b>									
Pork Sausages	-2	-2	+0	-1	+3	+4	-2	+9	+11
Fresh Pre-packed Pork Pies	+5	+6	+1	+6	+7	+1	-1	+3	+4
Fresh Pre-packed Sausage Rolls	+5	+6	+1	+2	+6	+4	+1	+8	+8
Pork Chilled Ready Meals	+5	+17	+11	+17	+10	-6	+6	+9	+3
Pork Sliced Cooked Meats	+5	+8	+3	+5	+7	+2	+3	+6	+2

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](mailto:stephen.howarth@ahdb.org.uk); [prisha.patel@ahdb.org.uk](mailto: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.