



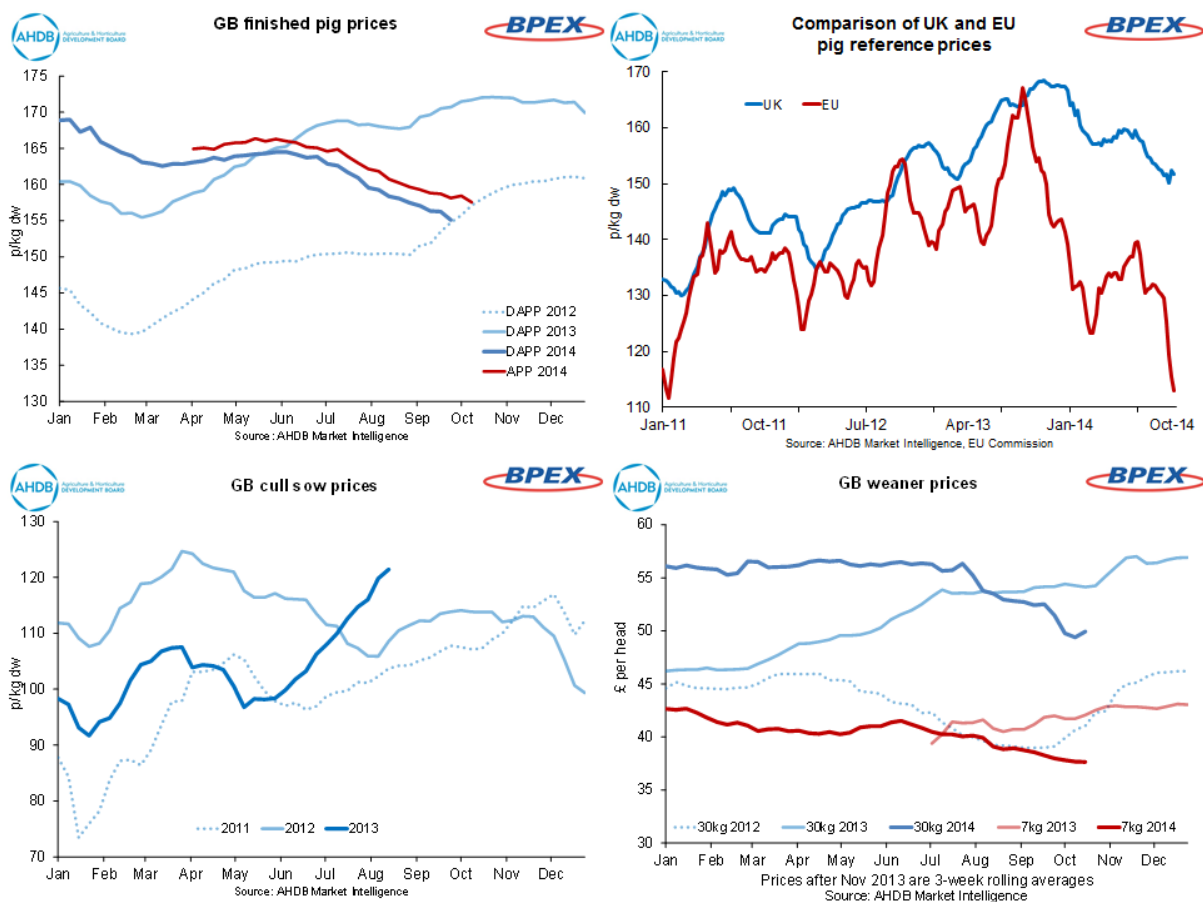
## United Kingdom Pig Meat Market Update

November 2014

### UK PRICES

The EU-spec GB SPP in September averaged 156.07p per kg, 2p lower than a month earlier. This was partly a result of higher supplies domestically and EU pig prices contributed, as prices fell sharply across the continent during the month. With the exception of a marginal rise in the first week of October, likely due to changes to contracts following the end of the DAPP, the GB SPP continued to decline in October, to stand at 152.35p per kg for the week ended 18 October.

The EU spec GB APP for September was the lowest since the series began, at 158.75p per kg, also a month-on-month change of 2p. This marked a difference of almost 3p between the APP and SPP in September. The DAPP series has been discontinued and the last monthly average in September stood at 156.19p per kg. This was almost 14p below the same month in 2013.



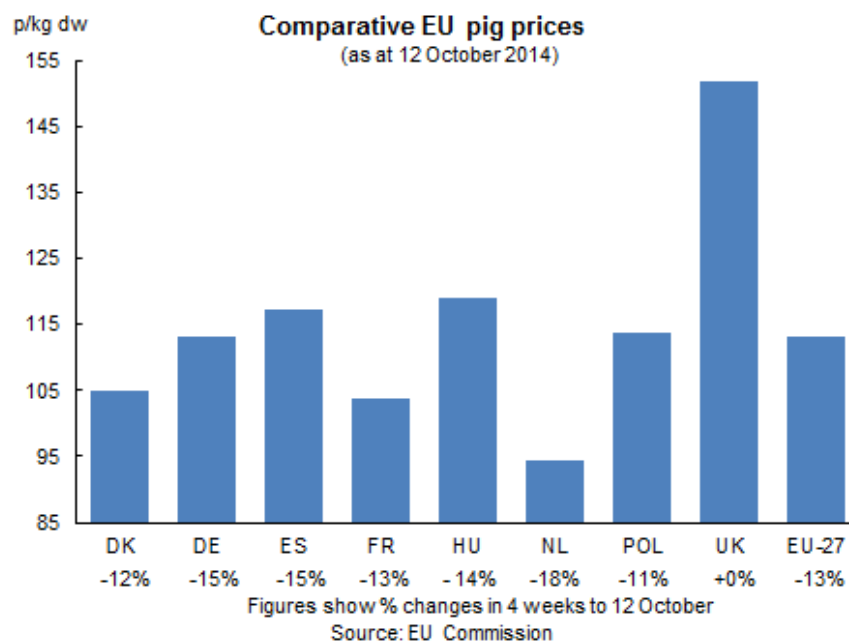
Carcase weights in September and early October reached record highs, with the average in the APP sample in September at 81.49kg. This was over a kilo higher than the previous month. Heavier pigs were a result of better growth rates and low feed costs, with reports also suggesting more pigs than normal

were being rolled as supply outstripped demand. The heavier weights meant that the average probe measurement in the APP sample for September also increased, to 11.4mm, 0.4mm higher than in April this year.

The September average for the 30kg weaner price fell to £52.34 per head. This was the lowest monthly average since June last year, with a month-on-month decline of £1. The latest quotation fell below the previous year's level for the second consecutive month, indicating some weakness in the market, with the annual difference almost £2. No doubt, weaner markets have mirrored finished pig prices, despite low feed costs, with limited availability of finisher housing also a factor. For the same month, the average 7kg weaner price fell back by 91p to £38.33 per head. This was almost £2 lower compared with the same month in 2013.

## EU PRICES

EU pig prices continued to fall in September and averaged €161.48 per 100kg. EU pig prices usually drop at this time of the year but the fall has been particularly sharp this year. The average finished pig price was nearly €30 below September 2013 and prices have remained below last year's level since July. Subdued domestic consumption and the loss of exports to Russia, which normally peak during the autumn, are still putting pressure on EU pig prices. Reports also suggest a modest increase in supplies since the summer. In September, the EU pig price was €30 below the UK pig price and the gap has increased to almost €50 as EU prices continued to fall, dropping below €143 per 100kg in week ended 19 October.

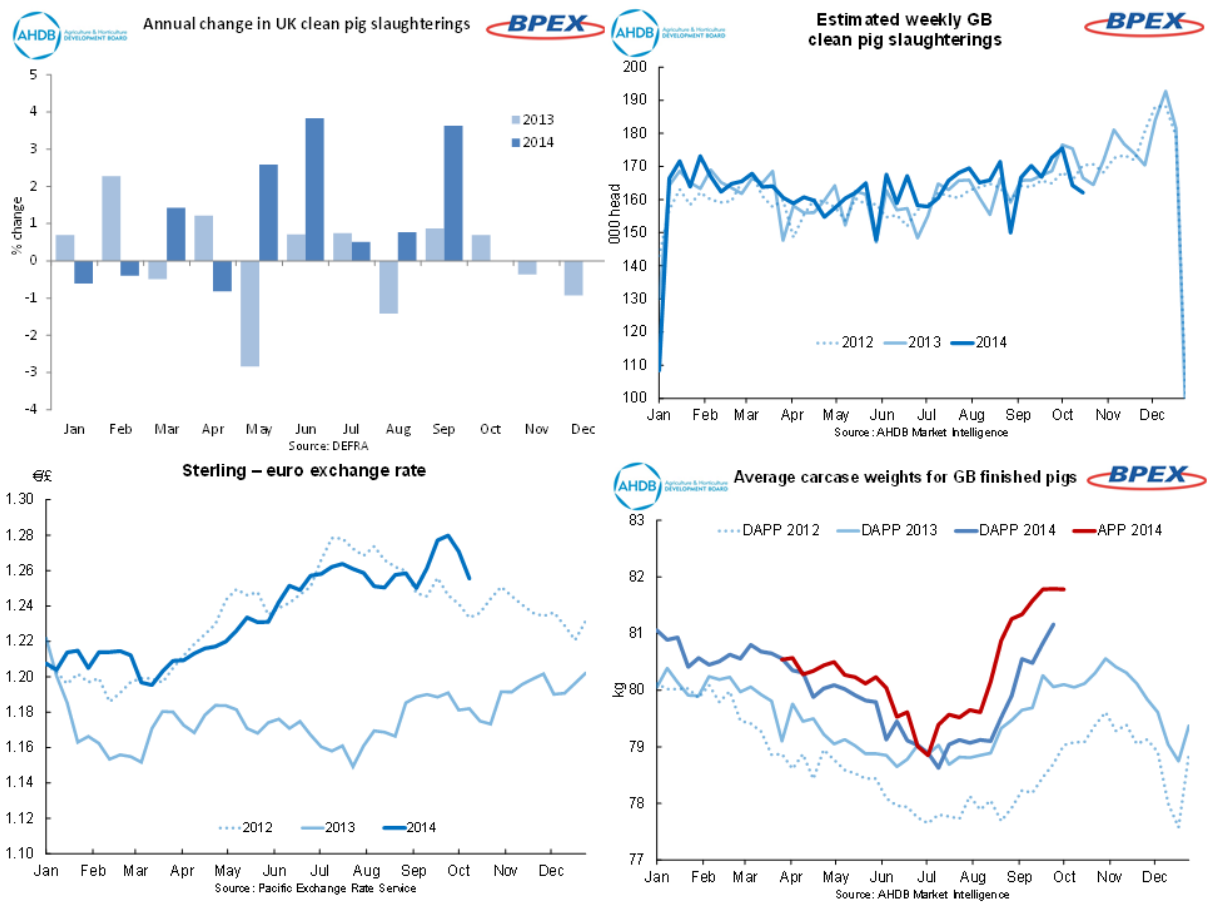


Almost all EU countries recorded falling pig prices last month. The largest year-on-year declines were recorded in France (down €36) and Spain (down €40), where prices came down by 19% on the year earlier. Producers in Belgium received 18% less (down €31) for their pigs compared with September 2013, while Danish (down €19) and German (down €21) prices were reduced by 11%. Irish prices also came down but the decline was much smaller as the monthly average price was €7 (4%) lower compared with the same month in 2013.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

September figures published by Defra show a 4% increase in clean pig slaughterings, to 821,900 head. This was the highest September figure since 2001. A similar increase in slaughterings was recorded for England and Wales, while 1% more pigs entered abattoirs in Northern Ireland.

At 18,800 head, adult sow and boar throughputs were down by 6% in September this year compared with the same month in 2013, continuing the trend of recent months. This was a consequence of lower prices this year, both for feed and cull sows, encouraging producers to retain their breeding herd. As a result of heavier pigs and higher slaughterings, pig meat production increased by 6% compared with September 2013. At 69,800 tonnes, this was the highest September production figure since 1999.



August UK pork exports were 3% down on August 2013, at 14,600 tonnes. This was the first year-on-year decline since February. The drop was largely due to lower shipments to Ireland and Germany, although they remained the two largest markets during the month. The drop in exports to Germany was due to lower sow slaughterings on the back of falling cull prices. Most smaller EU markets took more UK pork, as did non-EU buyers; shipments to third countries were up by 21%. Among smaller markets, there was big growth in exports to the Philippines, Japan and South Africa. Strong sales to China and Hong Kong meant that offal exports were up by more than half compared with last August, despite less being sent to the rest of the EU.

UK imports in August were lower than a year earlier across all the main pig meat categories. This was despite prices being significantly lower than last year, mainly due to the strengthening of the pound against the euro. The average price of pork imports, £1,970 per tonne, was 9% lower than in August 2013

but volumes were still down 2%. A sharp fall in purchases from Germany was the main reason for the drop, with other major suppliers sending more pork to the UK. Overall, it was a similar story for bacon, with 4% less entering the UK than a year before, despite a 6% drop in prices. Germany again bucked the trend of other suppliers but this time its shipments rose, partly offsetting falls from Denmark and the Netherlands. Similarly, increased imports of German processed products failed to fully offset lower purchases from elsewhere. Sausage imports were also down overall but with trends varying between suppliers.

## FEED MARKET

Nov-14 LIFFE wheat futures prices closed at £116.50/t on Tuesday 21 October, up by £8 since the beginning of October. The upward trend in UK wheat futures followed trends in global grain contracts throughout the month. A downgrade to the forecast increase in global wheat end-stocks due to increased demand and delays to the US maize harvest have been key factors. Re-positioning by speculators in US futures markets may also have added some support.

Recently, the momentum for Chicago maize futures prices has declined somewhat, as forecast drier weather in the US grain belt allowed harvest to pick up pace. However, prices are almost \$14/t higher than at the beginning of the month, with harvest progress for US maize (as at 19 October), at 31%, still 22 percentage points behind the 5-year average.

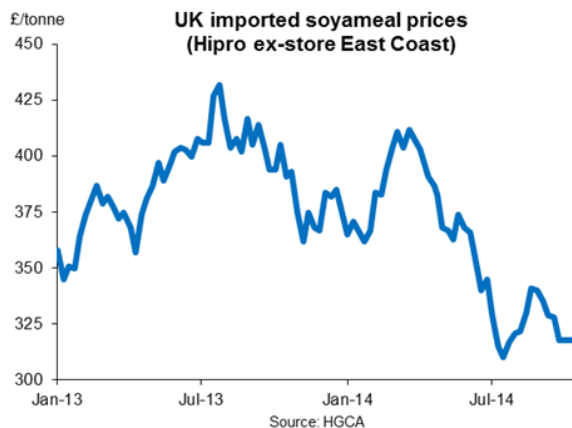
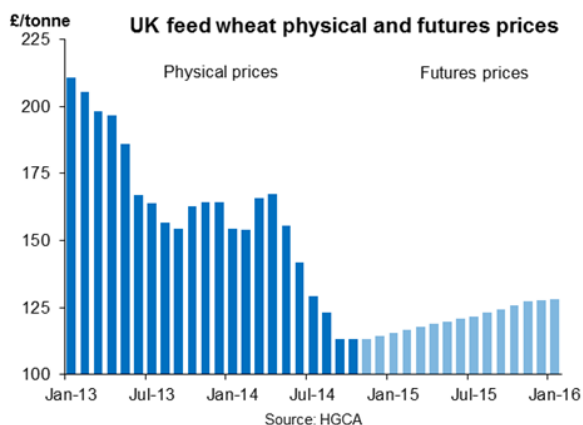
Provisional figures released by Defra this month confirmed historically high UK yields and production. The 2014 UK wheat crop is provisionally estimated at 16.6Mt, a 4.7Mt increase from 2013 and the highest volume since 2008, while total barley production (7.0Mt) is provisionally at a similar level to last year's 7.1Mt. Record yields for wheat (8.6 t/ha) and barley (6.5 t/ha) were also reported, as well as the second highest yields on record for oats (6.1 t/ha); read more in [Grain Market Daily](#), AHDB/HGCA's new daily publication.

[AHDB/HGCA's Early Balance Sheet 2014](#) showed that, for wheat, despite lower imports and increased domestic consumption, the higher supplies point to a large surplus. This means a strong export programme will be required to prevent a large carry-over of stocks into the next season; a sentiment which was verified in the latest trade data from HMRC. For barley, total availability is estimated to be 319Kt higher than last year, at 8.5Mt due to larger production.

Total animal feed demand for cereals is estimated to be lower than in 2013/14, based on the assumption of 'normal' weather conditions, the removal of last year's supporting factor of higher milk prices and ample forage availability. However, the proportion of wheat used in animal feed is expected to be higher because of its more competitive price against other feed grains.

Estimates for EU soft wheat, barley and maize production were all increased in the October edition of Strategie Grains' grain report, resulting in an upward revision to total grain production this year to a record high of 322Mt (up from 319Mt last month). The private analysts also presented their initial estimates for the 2015 EU harvest area. While these first estimates should be treated with caution, they predict a reduction to the total EU cereals acreage next year, because of decreased winter barley and maize areas.

The world is still expecting a second consecutive season of global grain surpluses and the recent factors adding support to grain prices do not fundamentally alter the bearish global outlook. For a more in depth look at the global grain market situation [click here to read the papers from AHDB/HGCA's Grain Market Outlook Conference](#), or alternatively [click here to watch the videos from the conference](#).



Nov-14 Chicago soyabean futures prices closed at \$354.27/t on Tuesday 21 October, up by \$17.45 since the start of October. Paris rapeseed futures (Nov-14) closed at €320.25/t, unchanged from the beginning of October but down from the €331 reached on 6 October.

Weather is a key driver of prices currently, with the US soyabean and Canadian canola (rapeseed) harvests behind schedule and soyabeans being planted in South America.

Rapemeal (34%, ex-mill, Erith, October delivery) was reported at £160/t on Friday 17 October, up £1 since 3 October. The Hi-Pro soyameal price (ex-store, East Coast, October delivery) was unchanged on the month, at £318/t.

Provisional estimates from Defra show that UK oilseed rape yields for the 2014 harvest were, at 3.7 t/ha, the second highest on record behind 2011. The oilseed rape harvest was up 17% on last year, amounting to 2.5Mt, despite a 5.8% reduction to the total area of oilseed rape.

## CONSUMPTION

Figures published by Kantar Worldpanel show that shopper spending on pork was up by 1% on the year in the 12 weeks ending 14 September. With prices lower than last year, growth was driven by a 7% rise in the amount of pork sold. Pork mince was a clear winner as spending increased by 44% compared with the same period in 2013. Its versatility and competitive pricing has consistently attracted more consumers. Roasting joints also performed well in the period, helped by an increase in promotional activity. Spending on leg, loin and shoulder joints were up by 26%, 19% and 14% respectively, compared with the year before. However, chops/steaks and belly continued to suffer as both cuts recorded 6% year-on-year declines in consumer spending.

GB retail sales of sausages were down 2% (18,000 tonnes) in the year ending September 2014, according to Kantar Worldpanel. With sales of standard-tier sausages increasing by 4%, the decline has been focused on premium sausages. Compared with last year, average prices paid have risen by 6% and it appears that price conscious shoppers have traded down to manage price inflation. Despite improving news on the UK economy, average wage rises continue to lag behind inflation and savvy shopping remains the order of the day.

Premium sausages still retain a 31% share of sausage category volume. This is considerably higher than both bacon and ham. A key reason for this is the price difference between premium and standard tiers across the categories. Premium sausages are only £1.17/kg more expensive than their standard

counterparts, compared to a difference of £8.51/kg for ham and £5.00/kg for bacon. This makes sausages an easier 'trade up' for shoppers who are looking for a treat.

### Trends in retail meat purchases (period ended 14 September 2014)

|   | 4 weeks<br>2014/13                    |           |           | 12 weeks<br>2014/13 |           |           | 52 weeks<br>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>-1</b>                             | <b>-0</b> | <b>+1</b> | <b>+5</b>           | <b>+5</b> | <b>+1</b> | <b>-1</b>           | <b>+3</b> | <b>+4</b> |
| Pork  | +4                                    | -2        | -6        | +7                  | +1        | -6        | +2                  | +0        | +0        |
| <i>Belly</i>                                    | -13                                   | -13       | -1        | -6                  | -6        | -0        | -5                  | -2        | -2        |
| <i>Chops/Steaks</i>                             | -6                                    | -7        | -1        | -3                  | -6        | -3        | -3                  | -3        | -3        |
| <i>Leg Roasting Joint</i>                       | +44                                   | +37       | -5        | +33                 | +26       | -5        | +6                  | -1        | -1        |
| <i>Loin Roasting joint</i>                      | +11                                   | +5        | -5        | +28                 | +19       | -7        | +8                  | +5        | +5        |
| <i>Shoulder Roasting joint</i>                  | +13                                   | -6        | -17       | +30                 | +14       | -12       | +11                 | +9        | +9        |
| Bacon   | +0                                    | +0        | +0        | +1                  | +2        | +0        | -2                  | -1        | +2        |
| Beef  | -3                                    | +1        | +4        | +4                  | +8        | +3        | -2                  | +4        | +7        |
| Lamb  | -11                                   | -6        | +5        | -1                  | +3        | +4        | -5                  | -0        | +5        |
| Poultry   | +2                                    | -4        | -6        | +0                  | -3        | -3        | -1                  | +1        | +2        |
| <b>Processed products</b>                       |                                       |           |           |                     |           |           |                     |           |           |
| Pork Sausages                                   | -2                                    | -1        | +1        | -1                  | -2        | -1        | -2                  | +4        | +6        |
| Pork Sliced Cooked Meats                        | -4                                    | -4        | +0        | -1                  | -1        | +1        | +2                  | +4        | +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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