



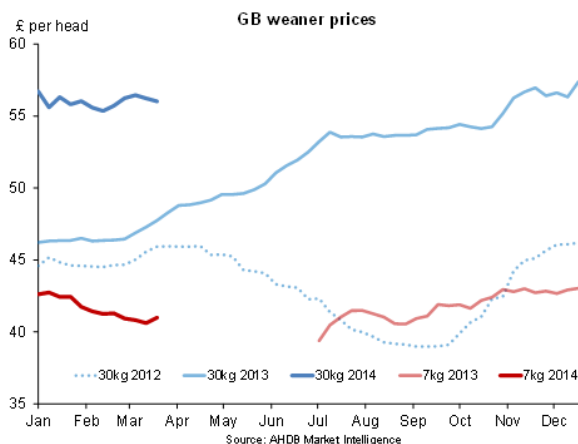
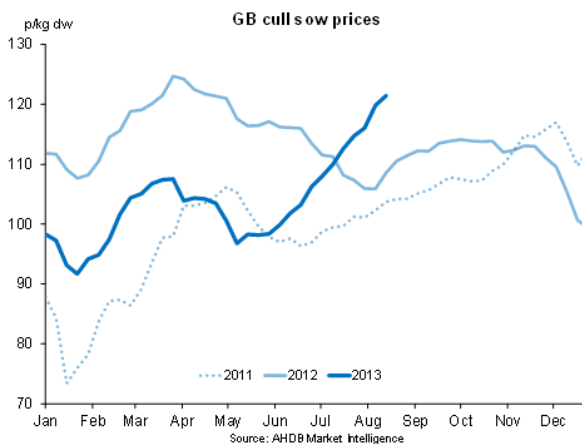
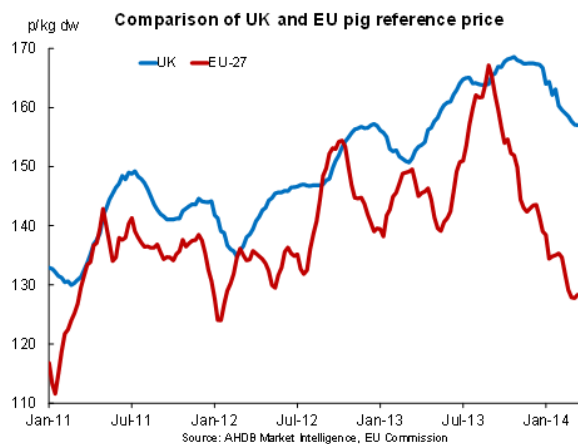
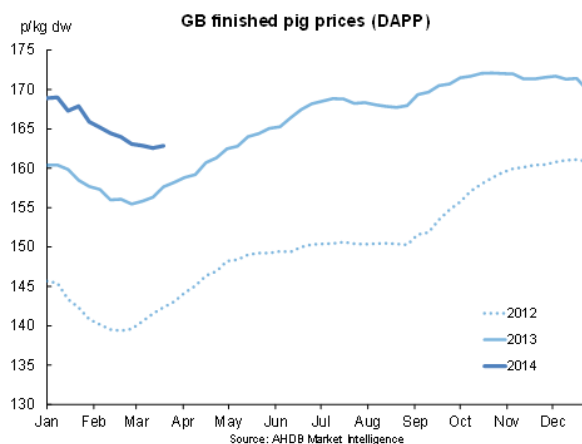
United Kingdom Pig Meat Market Update

April 2014

UK PRICES

UK finished pig prices have recently come under pressure after the African Swine Fever (ASF) outbreak in the EU caused prices to drop across the continent. In addition to this, prices are normally expected to decline during the first couple of months of the year as consumer demand is subdued. Pig prices in February averaged at 164.17p per kg, up 5% on the previous year for the same month. However, while prices are keeping above the 2013 levels, the annual difference has narrowed in recent weeks. Pig prices continued to fall in early March but turned up from the middle of the month to reach 162.86p per kg for the week ended 22 March, still up 5p (3%) on the same week a year earlier.

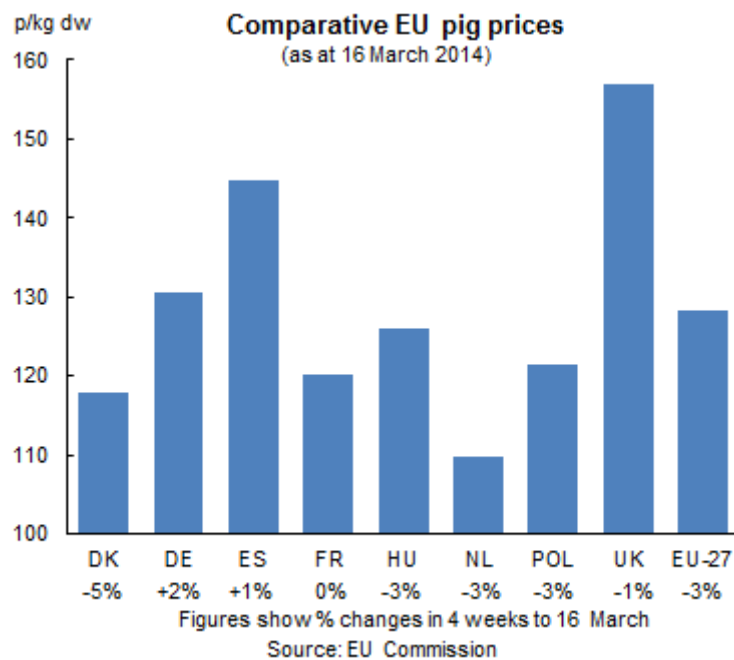
Continuing the trend for most of the last year, clean pig slaughterings have been close to year earlier levels so far in 2014. Supplies have started to decline seasonally, a trend which normally continues until the late spring. However, the relatively tight supply situation is still being offset by higher carcass weights. Average weights have remained well above 80kg so far this year, with no sign of the expected seasonal decline by mid-March.



The price of a 30kg weaner has been somewhat volatile in February, declining at the start of the month before a small uplift in the last week of February. The average for the month edged up to £56.20 per head and this was around £10 per head higher compared with the same month in 2013. There was a modest increase in the most recent week but the price of a 30kg weaner has remained within the same range as earlier in the year; for the week ended 22 March it stood at £56.77 per head. The monthly average price for a 7kg weaner edged down to £41.33 per head with prices generally easing back since the turn of the year, although with some volatility week on week.

EU PRICES

The EU pig price declined steadily during February with the average for the month amounting to €160.41 per 100kg. This was around €3 per 100kg lower compared with the average for January. This is against the typical seasonal trend whereby prices across the continent normally strengthen from February onwards. The recent pressure on the EU pig market has been a result of the Russian import ban on EU product as a result of the African Swine Fever cases in Poland and Lithuania. Compared with the week ended 9 February the EU pig price fell by €8 to by the week ended 9 March, although it recovered somewhat in the following week to stand at €153.85 per 100kg. The UK market has held up much better and although the deteriorating market on the continent has had some impact, the gap compared with the EU average has further widened to nearly €40 per 100 kg by early March.



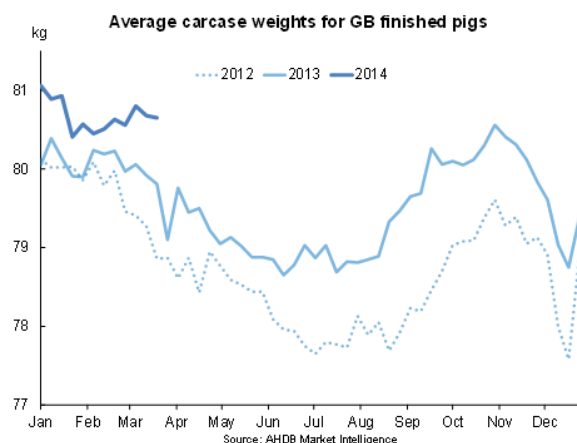
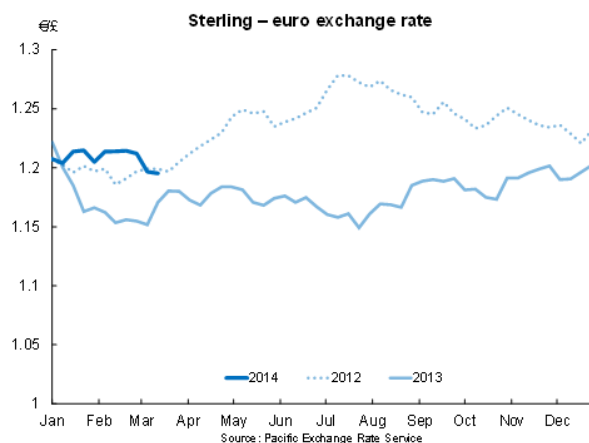
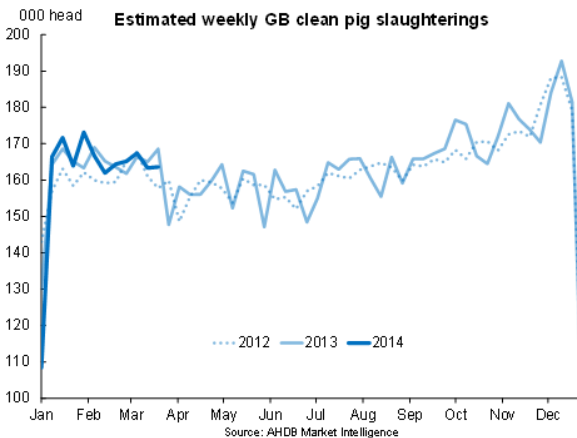
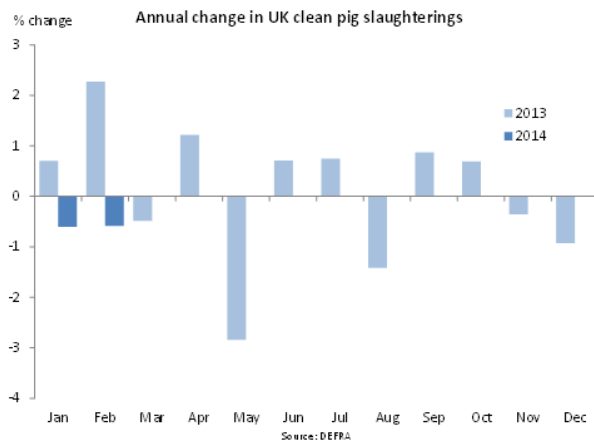
Pig prices in Poland plummeted by €26 per 100 kg in the four weeks to 2 March as a consequence of the African swine fever (ASF) outbreak in the country, but the latest weeks showed some recovery. There have been reductions in most of the other major producing Member States, albeit at a lower rate. Until the issue of trade with Russia is resolved, the EU market outlook remains uncertain.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK clean pig slaughterings in February totalled 781,550 head. This was 1% lower compared with the same period in 2013. With revisions to the previous month's figures, this means that throughputs have

declined year-on-year for four consecutive months. While numbers were virtually unchanged in England, there were declines of 8% and 3% in Scottish and Northern Irish throughputs.

Adult pig slaughterings totalled 19,400 head, down 5%, or 1,000 head, compared with the second month of last year. These figures are in line with the December census which not only showed a decline in the breeding herd but also a fall in maiden gilts, suggesting less sow replacement. The sow and boar kill has now fallen sharply for the last eight months.



UK pork imports in January reached 29,600 tonnes, up 3% compared with a year earlier. The strong import market was largely a result of higher shipments from Germany, up by nearly a third on last January. This was the first time since September that Germany was the main supplier, accounting for over a quarter of UK imports. There was also a year-on-year increase in Dutch deliveries but these increases were somewhat offset by 18% and 6% declines from Danish and Irish suppliers. The total value of UK imports in January amounted to £61 million, up 7% on a year earlier. In addition to the higher volumes imported, the unit price increased by around 4%, despite subdued EU pig prices.

Bacon imports during the month were 1% lower on the year at 19,100 tonnes, with the Dutch and the Danes the main contributors. However, bacon imports from Germany were reduced by a third on a year earlier. Sausage imports were also down by 1%, with a large drop in Dutch supplies. Imports of other processed products, however, increased by a quarter compared with January 2013.

At 15,700 tonnes, the pork export market performed strongly again, with a 15% increase in shipments compared with January 2013. Higher volumes were supplied to both EU and non-EU countries. The main growth market on the continent was Denmark, presumably product destined for re-export. Germany and

Ireland also increased purchases, by 5% and 3% respectively. China led growth in Asian markets, with shipments up 44% year on year to 2,400 tonnes, followed by Hong Kong and the Philippines.

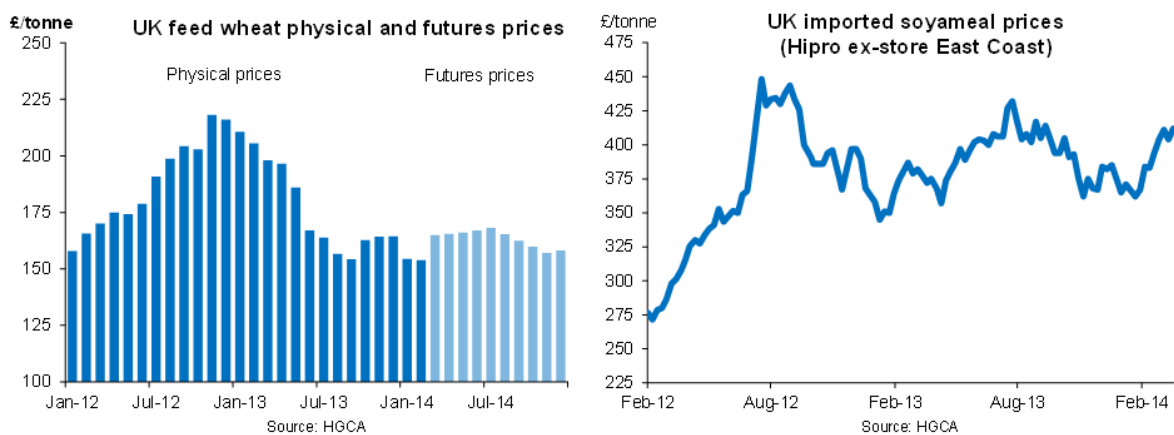
Offal exports, on the other hand, slowed, down by 31% compared with January 2013. The market particularly suffered from lower EU demand, which was especially high last year. Meanwhile, supplies to China continued to grow, more than tripling to 1,400 tonnes. Processed and cured exports also increased.

FEED MARKET

May-14 wheat futures closed at £169.75/t on Tuesday 25 March, up marginally from £167.95/t last week. Nov-14 wheat futures closed at £161.50/t an increase of £2.50 from last week's price of £159.00/t.

Recent reports have revealed that Ukraine's grain harvest could fall to 57Mt this year in comparison to last year's harvest of 63Mt. According to APK-Inform, lower levels of lending from banks have led to a reduction in sowing area, the key motive for a fall in grain output. Further information from Ukraine's Agriculture Ministry was released this week showing that farmers have sown 1.5M ha of early spring grain as of 24 March.

In global news, China has rejected 21.8Kt of US maize due to an unapproved genetically modified strain found in shipments, this rejection brings the cumulative total to 908Kt since Nov-13. The USDA has announced that China may have to pay premiums on future maize purchases due to their continuing rejection of imports.



Continued dry conditions in the US led to further deterioration of winter wheat crop conditions in several of the major growing states with little rain forecast. While conditions are still better than last year, the reliance on the growing crop is greater due to the depletion of US wheat stocks, currently forecast to fall by 4.3Mt this year (USDA).

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Analysts' estimates have been released ahead of next week's (31 March) quarterly planting report from the USDA. Average estimates for maize plantings were 92.748M acres with a range of 3.500M between the high and low estimates. Soyabean estimations ranged between 83.600M acres and

78.500M acres. Wheat plantings were projected at an average of 56.277M acres. Additionally, the US forecast for maize plantings according to Informa Economics has been reduced. The company forecasts that US plantings will be down from predictions of 93.3M acres to 93.0M acres, slightly lower in comparison to last year's planting total of 95.365M acres (USDA). May-14 maize futures remain unchanged from last week at \$191.54/t.

For Russia and Ukraine the market is quiet and prices remain somewhat nominal, however, there continues to be some activity partially based on a little new Third Country demand. Although the export activity from Ukraine is perhaps better than many thought, at the same time some of the Third Country sales execution has come from Russia so in general the market has disregarded the political situation as previously expected. Although the political situation remains on the radar of grain markets, major change is unlikely to occur unless a drastic revolution in the political unrest threatens global grain supplies.

UK feed ingredient prices have seen a slight decline with rapemeal prices down to £249.00/t (14 March) from £252.00/t the previous week. On the other hand soyameal prices have increased by £8.00/t to £412/t (21 March) from the previous week when prices were £404/t.

Informa Economics announced on Tuesday (25 March) that it had reduced its planting estimates for US soyabeans marginally from 81.264M acres to 81.204M acres. The release of the USDA quarterly report next week (31 March) will reveal latest figures for US soyabean plantings, although the USDA has previously announced that it expects soyabean acreage to be approximately 79.5M acres.

In Brazil, harvest in the top soyabean producing state of Mato Grosso is complete. On a national level, 67% of the soyabean area has been harvested slightly ahead of last year's progress. In Argentina, the soyabean harvest has begun in some regions, although excessive ground water is impeding efforts in these areas. The Buenos Aires Grain Exchange's latest production estimate of 54.5Mt is under threat from expected lower yields in certain regions caused by excessive humidity and disease pressure.

CONSUMPTION

Sales of pork for the December-February period fell slightly on the year, according to the latest data from Kantar Worldpanel. The drop in purchases was, however, restricted to sales of frozen pork, with demand for fresh produce at similar levels to last year. Sales of fresh pork have been sustained partly due to an increase in promotional activity in three of the big retailers, with pork bought on promotion now accounting for almost half of all sales. Consumers continue to be price-sensitive, reflected in tightened household budgets, with shoppers looking for better value for money. The latest data show consumers switching to relatively cheaper products. Purchases of beef and lamb roasting joints both fell over the period, while demand for pork roasting joints increased by almost 4%.

Despite only a small increase in the quantity of sausages bought, consumers spent 7% more over the 12 week period than they did a year earlier. Shoppers have shown an increase in demand for the higher priced premium and standard ranges, moving away from economy sausages. The shift has partly been driven by an increase in promotional activity for premium and standard ranges but also sales growth among the discount retailers, which tend to focus on higher quality sausages.

The amount of bacon rashers bought over the December-February period fell by 3% compared with last year. The drop has in part been driven by less promotional activity among key retailers over the period. However, there has also been a shift in shopper habits towards discount retailers. Although discounters make up only a small proportion of the overall market, their sales of bacon rashers increased by 30% over the year. Promotions from discounters have focused on price reductions.

Trends in retail meat purchases (period ended 2 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								
Fresh and Frozen Meat, Poultry and Bacon	-1	-1	+1	-2	+2	+3	-2	+3	+5
Pork	-4	-6	-2	-1	-2	-2	-2	+1	+3
<i>Belly</i>	+5	+4	-1	-3	+1	+4	-7	+1	+8
<i>Chops</i>	-12	-12	-1	-2	-1	+2	-4	+0	+4
<i>Steak</i>	-7	-7	-0	-8	-7	+1	-0	+2	+2
<i>Leg Roasting Joint</i>	+12	+9	-3	+17	+1	-14	-1	-6	-5
<i>Loin Roasting joint</i>	-17	-31	-17	-4	-11	-7	-2	-4	-2
<i>Shoulder Roasting joint</i>	-11	-5	+7	-1	+1	+3	-9	+2	+12
Pork Marinade	+3	+4	+1	-7	-5	+3	+1	+8	+7
Bacon	-7	-5	+2	-1	-1	+0	-5	-2	+3
Beef	+2	+8	+6	-3	+5	+8	-4	+4	+7
Lamb	-10	-2	+9	-7	-1	+7	+5	+5	-1
Poultry	+1	+1	+0	-1	+2	+3	-2	+4	+6
Processed products									
Pork Sausages	+3	+9	+5	+2	+8	+6	-2	+10	+13
Fresh Pre-packed Pork Pies	+13	+10	-3	+6	+10	+3	-7	-1	+7
Fresh Pre-packed Sausage Rolls	+8	+8	-0	+2	+7	+5	-3	+6	+9
Pork Chilled Ready Meals	+6	+19	+13	+6	+8	+2	+3	+9	+6
Pork Sliced Cooked Meats	+3	+4	+1	+4	+5	+2	+3	+4	+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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