



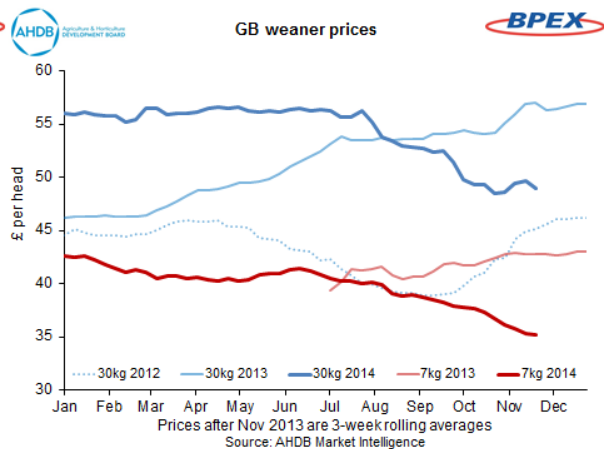
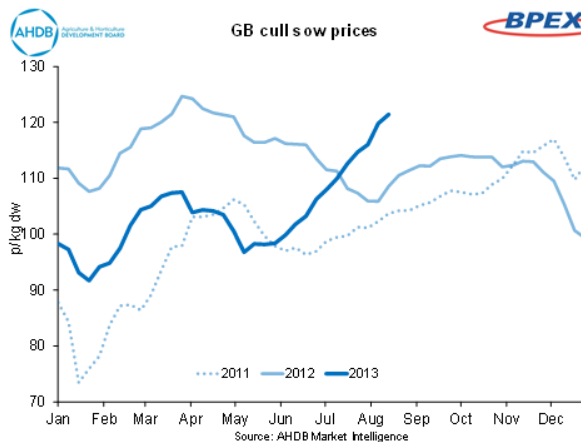
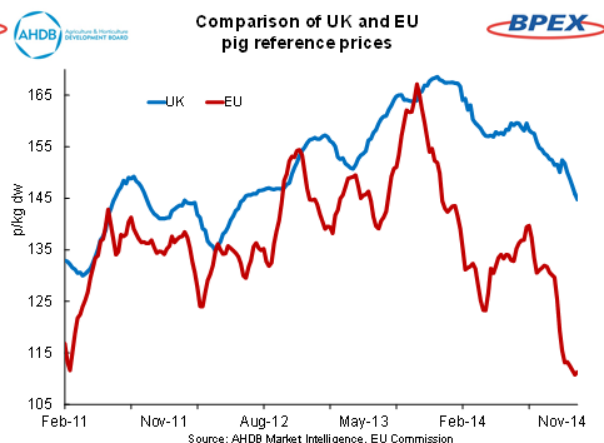
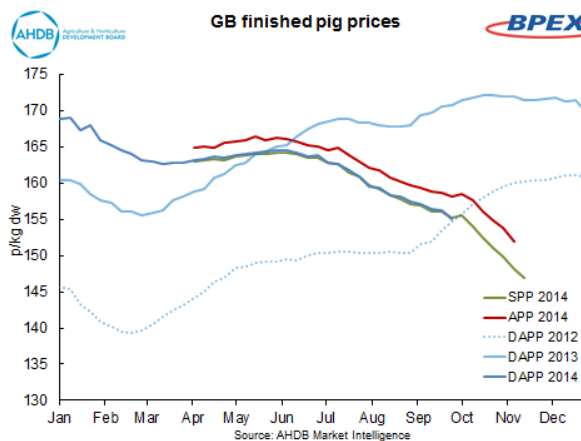
United Kingdom Pig Meat Market Update

December 2014

UK PRICES

In October, the EU-spec GB SPP averaged 152.61p per kg, over 3p down on the previous month. This was the lowest monthly average since the SPP began in April and the last time the DAPP series was lower was in August 2012. Higher supplies contributed to the sluggish finished pig prices, while the record gap between UK and EU prices will also have had a part to play. These have been met by subdued consumer demand, despite lower retail prices. In November, pig prices fell below 150p per kg and for the week ended 15 November, the weekly average stood at 146.89p per kg.

The average EU-spec GB APP during the same month, stood at 156.14p per kg, also a 3p decline on the month before. The difference between the APP and SPP was around 3.5p in October, the largest gap recorded so far. By the week ended 8 November, the APP had fallen further, to 151.92p per kg.



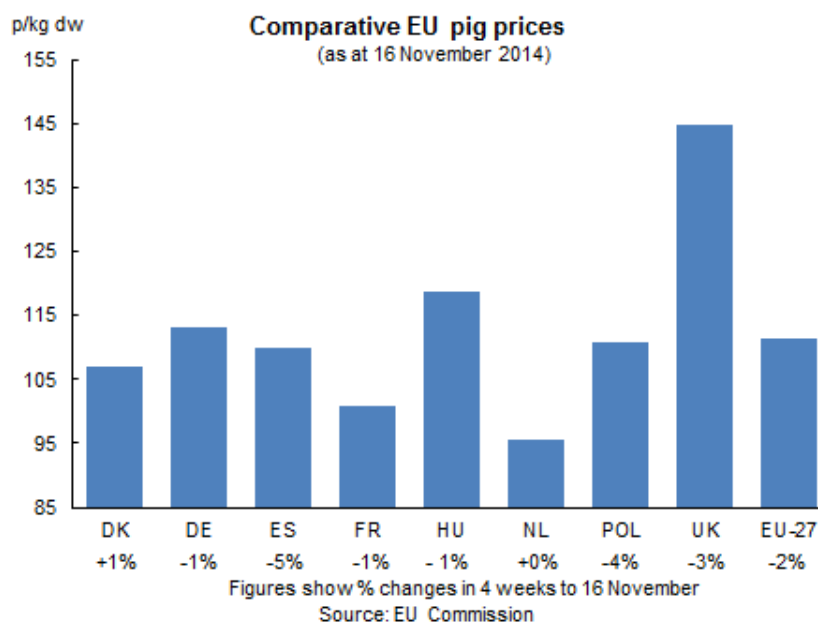
The average monthly carcass weight in the SPP sample in October rose by 700g from a month earlier, to 82.37kg. The latest average represented a record weight, helped by good weather conditions for pig growth. In fact, the high weights have continued into November and the latest weekly average, for week

ended 15 November, stood at 82.64kg. Alongside carcase weights, the average probe measurement in October also increased to 11.4mm. This meant that average back fat thickness had risen by 0.4mm since April.

The 30kg weaner price in October averaged £48.99 per head, mirroring the downward trend in finished pig prices. This marked a month-on-month decline of £3 but the annual difference was bigger, with prices weaker by £5, compared with October 2013. Producer confidence is likely have been subdued by the declining value of finished pigs, while improved productivity has meant a shortage of finisher accommodation. Similarly, the 7kg weaner price in October fell to £37.16, down by £1 on a month earlier. Weakness in the 7kg weaner market was evident, with prices £5 below last October’s level.

EU PRICES

EU pig prices dropped for the fourth consecutive month in October, to average €143.49 per 100kg. This was €18 less than the month before, resulting from a growing pig meat surplus on the continent following the Russian import ban. This meant the October average pig price was €37 per 100kg below 2013’s level. As EU values continue to fall, the gap between the UK and EU pig price has widened and the latest month showed a record differential of €47. Prices stabilised from mid-October onwards. Small declines in early November took the price to €141.11 per 100kg for week ended 16 November, its lowest level since February 2011.



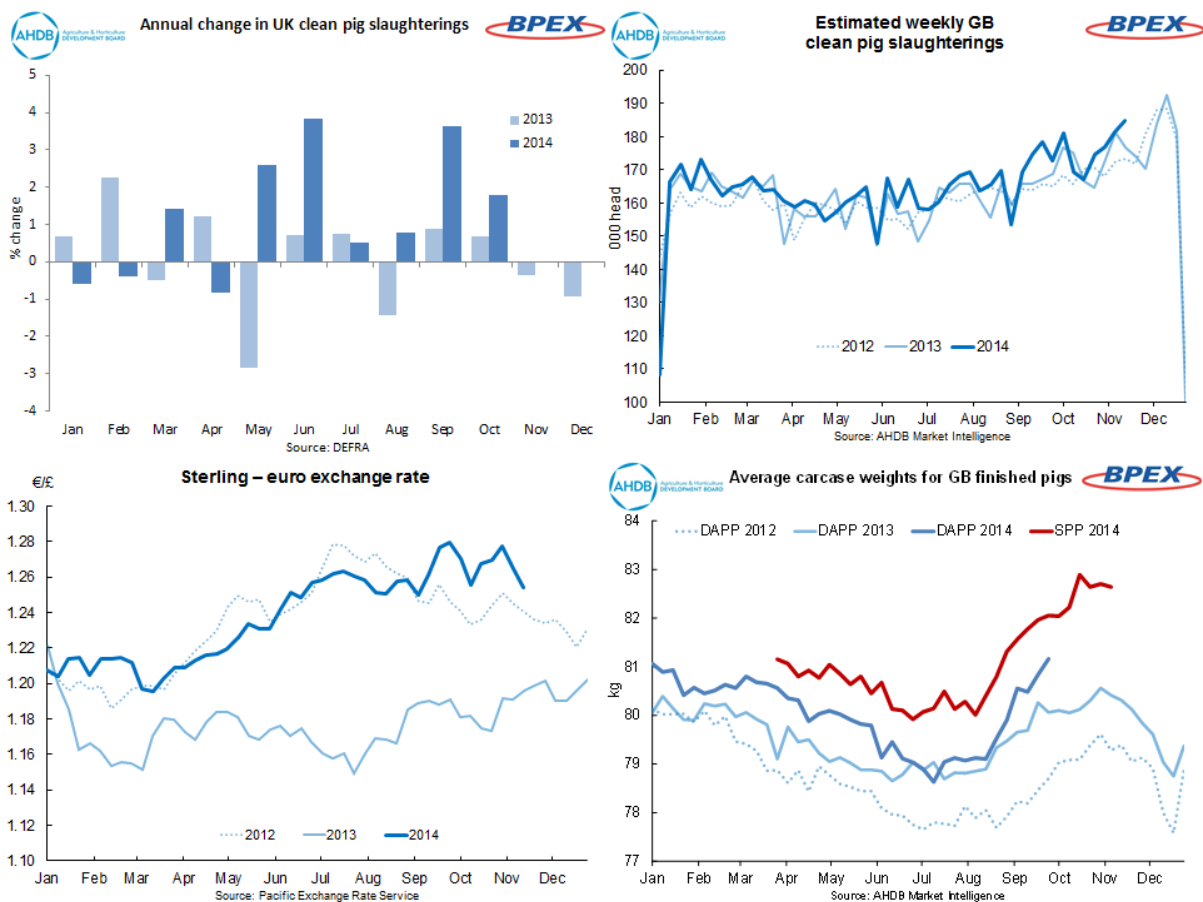
The drop in the average EU pig price resulted from declines in all major markets. The largest fall in the year to October was in Spain, where prices were down by €51 per 100kg compared with the same month in 2013. Prices in Belgium and the Netherlands fell year on year by €43 and €39 respectively. French and Polish quotations declined by €36, while Danish and German prices were down €33. However, as has been the case recently, Irish pig prices declined at a slower rate, although in the latest month they were still €19 below October last year.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK clean pig slaughterings in October reached just over 1 million head. This was almost 2% above the same month last year, confirming the recent reports about higher supplies on the market. Pig slaughterings generally increase during October but the latest figure was the highest since 2001. The

overall increase was largely a result of a 2% increase in English throughputs. Pig slaughterings in Northern Ireland also increased by 2% compared with October 2013, while the Scottish kill was up by 5%, continuing the recent recovery following several years of declining throughputs.

In contrast, at 23,700 head, the number of adult boars and sows culled fell by 2% compared with October 2013. This indicates that producers have continued to retain their breeding herd, with lower feed and cull sow prices the main drivers. At 82.1kg the average clean pig carcass weight for October reached another new record, being slightly higher than the September average. Pigs were almost 2kg heavier compared with the same month in 2013. As a result, with higher slaughterings and heavier carcass weights, pig meat production in October totalled 87,900 tonnes. This meant there was 4% more domestic pig meat on the market compared with a year earlier.



During September, pork imports into the UK increased by 3% on the year to 30,200 tonnes. This was the largest monthly increase since April, resulting from somewhat higher supplies on the continent. With these supplies, combined with a strengthening pound, adding further pressure on prices, this made EU pork more attractive on the domestic market. However, despite the gap between EU and UK pig prices reaching unprecedented levels, the increase in imports remains modest. Imports of German pork declined by 29% compared with the same month last year but this was offset by increases from most other suppliers. The value of pork imports in September totalled £58.8 million, down 12% on a year earlier, as a result of subdued import prices. Bacon imports for September also rose, with more coming in from Denmark and Germany, in particular. However, processed and sausage imports were down by 3% and 4% respectively compared with September 2013.

At 17,900 tonnes, UK pork exports also increased by 3% in September, compared with a year earlier. Two thirds of the pork was exported to the EU but this is lower than the previous year, when nearly three-quarters was shipped to the continent. In fact, exports to the EU declined by 7% year on year as prices were 7% higher in euro terms. Increased demand from Asian markets led UK exports, particularly from China, as exports to this market rose by a quarter in the latest month. Supplies to Hong Kong increased by more than a third on the year. The value of UK pork exports was marginally higher than last September, at £21.2 million, despite a slightly lower average price.

Stronger growth was recorded for sausage, processed pig meat and offal exports. The first two both more than doubled, while offal shipments were up by 13% on September 2013. The EU accounted for a smaller share of UK offal exports; volumes sent to the continent fell by 23%. However, trade with China and Hong Kong grew by 31% and 50% respectively, to account for two-thirds of total volumes.

FEED MARKET

May-15 UK feed wheat futures closed at £130.10/t on Wednesday 19 November, up £3.55 since the beginning of the month. A number of weather issues have emerged in global grain markets over the past few weeks, which combined with a weakening of sterling against both the euro and US dollar, helped to support UK prices.

Cold and snowy weather across the US Midwest raised fears about damage to winter wheat crops and potentially lower yields, if plants are pushed into dormancy earlier than usual. Similarly, cold and dry weather in parts of Russia and Ukraine have caused speculation about the level of winter kill that may occur. Additionally, with Australia's harvest underway, issues from the dry spring in South Australia are also coming to light. Although these issues are not as significant as those seen in previous dry years, heavy rainfall in Western Australia is now increasing concerns over the quality of wheat and barley crops.

In contrast, Chicago May-15 wheat futures closed at \$201.06/t on 19 November, down \$3.67 from the level seen at the start of the month. Chicago May-15 maize futures closed at \$151.57/t, also down slightly from the beginning of November. Global end stock estimates for both wheat and maize for the 2014/15 season were revised upwards in the latest USDA forecasts. Despite reduced production forecasts for both grains, global usage was revised downwards more.

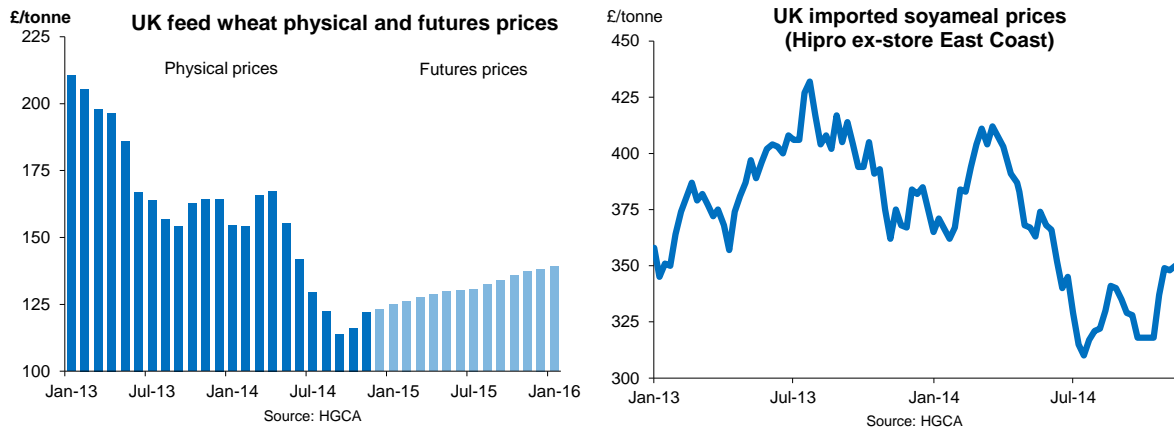
The latest trade data published by HMRC revealed that UK wheat exports in September increased by 21Kt compared with August's figures, to 150Kt, and included the first appreciable shipments to non-EU countries. Wheat imports remained strong in September, with 188Kt coming into the UK, mainly from France, Germany and Canada. UK maize imports have also remained relatively high; the cumulative total from 1 July until the end of September was 301.1Kt, a historically strong level. This suggests that, despite the large domestic wheat crop, maize may still be a prime contender for animal feed demand.

Strategie Grains increased their forecast for EU soft wheat exports this season by 2.6Mt, to 26.8Mt, in their latest report published last Thursday. With quality issues in France, German and Polish wheat are expected to drive the increase.

Chicago May-15 soyabean prices reached a 3-month high on 11 November at \$393.49/t, although prices closed at \$374.11/t on 19 November. Paris May-15 rapeseed futures prices closed at €338.25/t on the same date, down €7.25 since the beginning of November. UK rapemeal (34%, ex-mill, Erith, Nov delivery) was reported at £170/t on 14 November, the same level as the end of October. The Hi-Pro soyameal price (ex-store, East Coast, Nov delivery) was £350/t, up £1 since the end of October.

Strong export demand for both US soyabeans and soymeal, compounded by rail and barge logistical issues, has been a key supportive factor for both oilseed and oilmeal prices this month.

Accumulated exports of US soyameal for the current marketing year had reached 841Kt by 6 November, behind the amount exported by the same time last year (1.1Mt). However, total export commitments (outstanding sales plus accumulated exports) stood at 6.3Mt, ahead of the 5.2Mt committed by the same point in time in 2013/14.



USDA's season total estimate for US soyabean exports was revised 0.5Mt higher earlier this month to a record 46.8Mt, reflecting the strong export sales. Total export commitments for US soyabeans in the 2014/15 marketing year reached 35.6Mt as at 30 October, 7% higher compared with the same point in 2013/14. China is once again the US's main customer, accounting for 62% of export commitments.

The latest USDA forecast for global soyabean production is 312.1Mt, up 0.9Mt from the previous monthly estimates. The change is driven by higher output expected in the US due to greater yields; the US crop is now estimated at 107.7Mt by the USDA. In their latest monthly estimates, Informa Economics reduced their forecast for US soyabean production to 108.6Mt, compared with 109.3Mt in October, due to a slight reduction in the estimated yield.

The German oilseeds industry association, UFOP, has estimated that the German winter oilseed rape (WOSR) area is expected to be 5.2% lower for harvest 2015. Of the farmers who took part in the survey (4,809), 11% decided against planting WOSR due to lower prices obtained for the crop. WOSR did not feature in the long term crop rotation plans of 38% of the farmers who took part and 10% said they were unable to plant the crop due to poor weather in the autumn.

According to the Early Bird Survey, the first snapshot view of planting intentions for harvest 2015, the UK oilseed rape area is seen down 4%, at 649Kha. This projected area would be the lowest since 2010. Lower rapeseed prices are one of the factors behind the decline. The survey results also suggest a 5% reduction to the wheat area in the UK. Winter and spring barley, pulse and fallow areas are estimated to be higher on the year, potentially showing the impact of the 3-crop rule on planting decisions. Going on previous results, the survey gives a good intention of areas for key autumn sown crops in the UK.

CONSUMPTION

Lower prices helped ensure that retail purchases of fresh and frozen pork were higher over recent months than they were last year. In the 12-week period ending 12 October, 3% more pork was bought than a year before, according to Kantar Worldpanel. However, consumer spending was down by 3% due to the reduced prices. Volume growth was driven by roasting joints, which were the focus of additional promotional activity. The amount sold was up 9% on last year but spending rose by only 4%.

Both bacon and sausages also recorded higher purchases during the 3 months to mid-October. In volume terms, 2% more bacon was purchased and 3% more sausages, despite less use of barbecues this year. As

prices were slightly below last year, spending growth was slightly lower for both categories. The long-term growth of ham and other sliced cooked meats appears to have stalled over the summer, perhaps partly because the weather was less favourable for picnics this year. Sales were down 2% in both volume and value terms as prices were similar to a year before.

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