



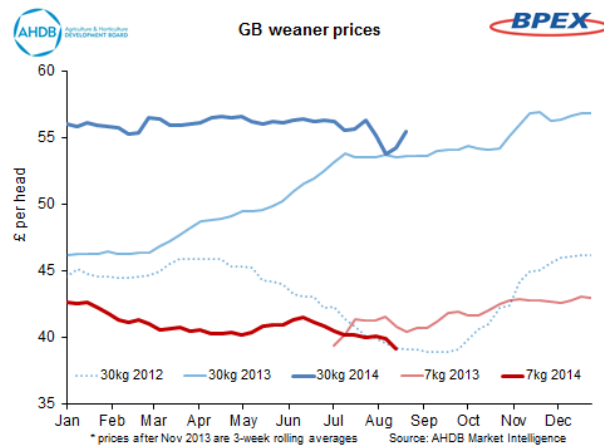
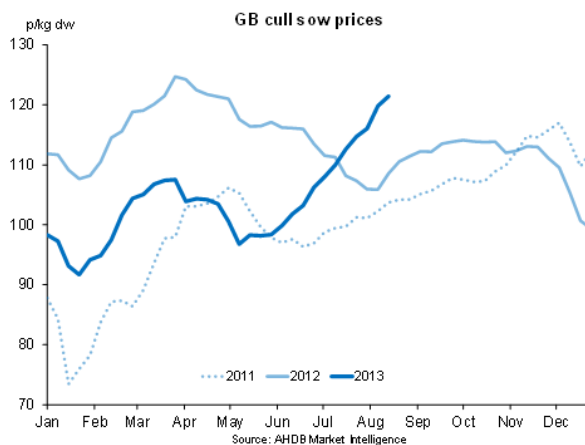
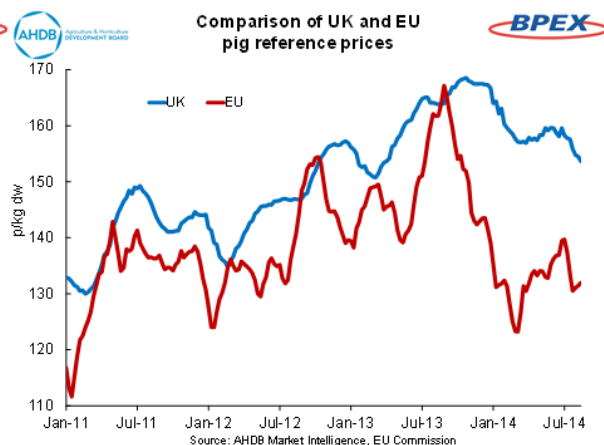
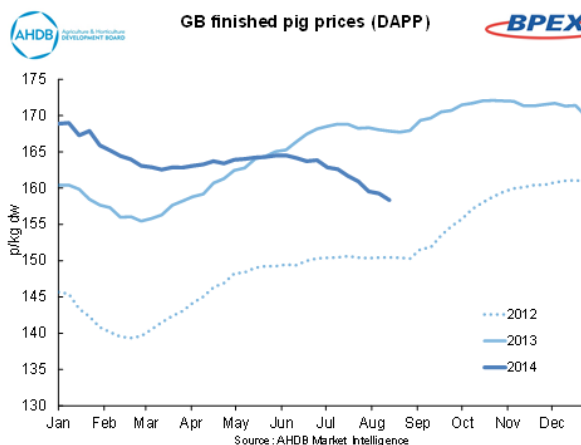
## United Kingdom Pig Meat Market Update

September 2014

### UK PRICES

The EU-spec DAPP in July averaged 161.50p per kg, down for the second consecutive month and almost 3p lower than June. Having fallen steadily since late May, finished pig prices recorded the lowest monthly average since April last year. In addition to subdued demand in the UK market, price falls in the EU added further pressure to clean pig prices. At the same time, pig supplies were somewhat more plentiful. As such, finished pig prices were 7p per kg down on the same month in 2013. Prices continued to fall and by week ended 16 August, the EU-spec DAPP had dropped to 158.35p/kg.

The GB SPP average for July stood at 161.48p per kg, 2p lower than the previous month. This was the lowest monthly average since the new price series began in April this year. During the same month, the GB APP fell by a similar amount to 163.67p per kg.



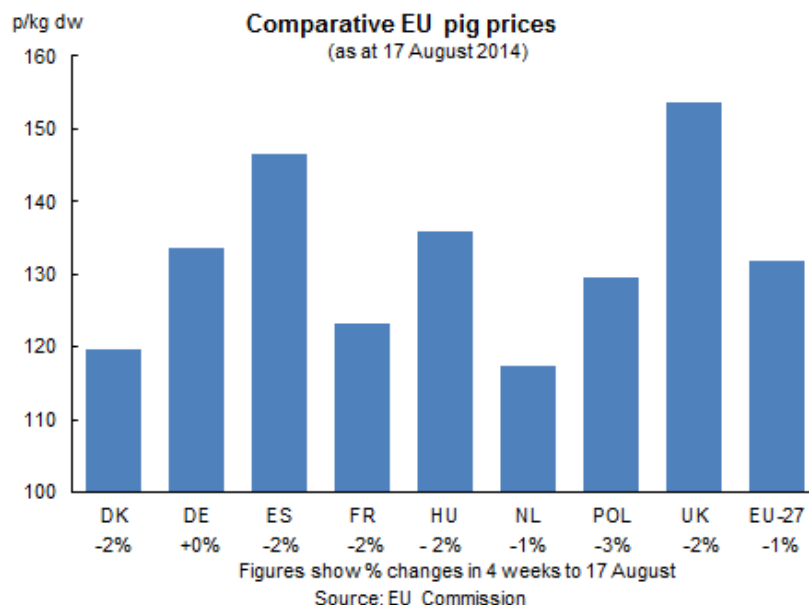
As expected, carcass weights in July followed the seasonal trend and fell to 78.95kg, as pigs struggle to convert feed into weight gain during the hot weather conditions. The latest monthly average reached the

lowest point of the year so far, but pigs were marginally heavier than the same period in 2013. This remained the case into early August, with weights having stabilised at an average of just over 79kg.

The easing of pig prices led to a sluggish weaner market as the 30kg weaner market in July edged down from the previous month to £56.02 per head. This may indicate subdued producer confidence, despite the lower feed prices of late, although reports suggest there was also limited finisher accommodation available. The 7kg weaner market followed a similar trend, as prices showed a monthly £1 fall to £40.19 per head and were valued marginally lower than July 2013.

## EU PRICES

According to figures published by the European Commission, EU finished pig prices in July averaged €169.51 per 100 kg. This was around €1 lower than the previous month. Slow demand in the European Union was the key driver of lower prices in recent weeks, although the Russian ban on imports of EU pork continued to weigh on the market. The current level was around €12 below pig prices in July 2013. In the most recent week, ended 17 August, EU finished pig prices stood at €165.20 per 100 kg. For the same week, the difference between the UK and EU pig prices fell slightly to €27 per 100 kg.



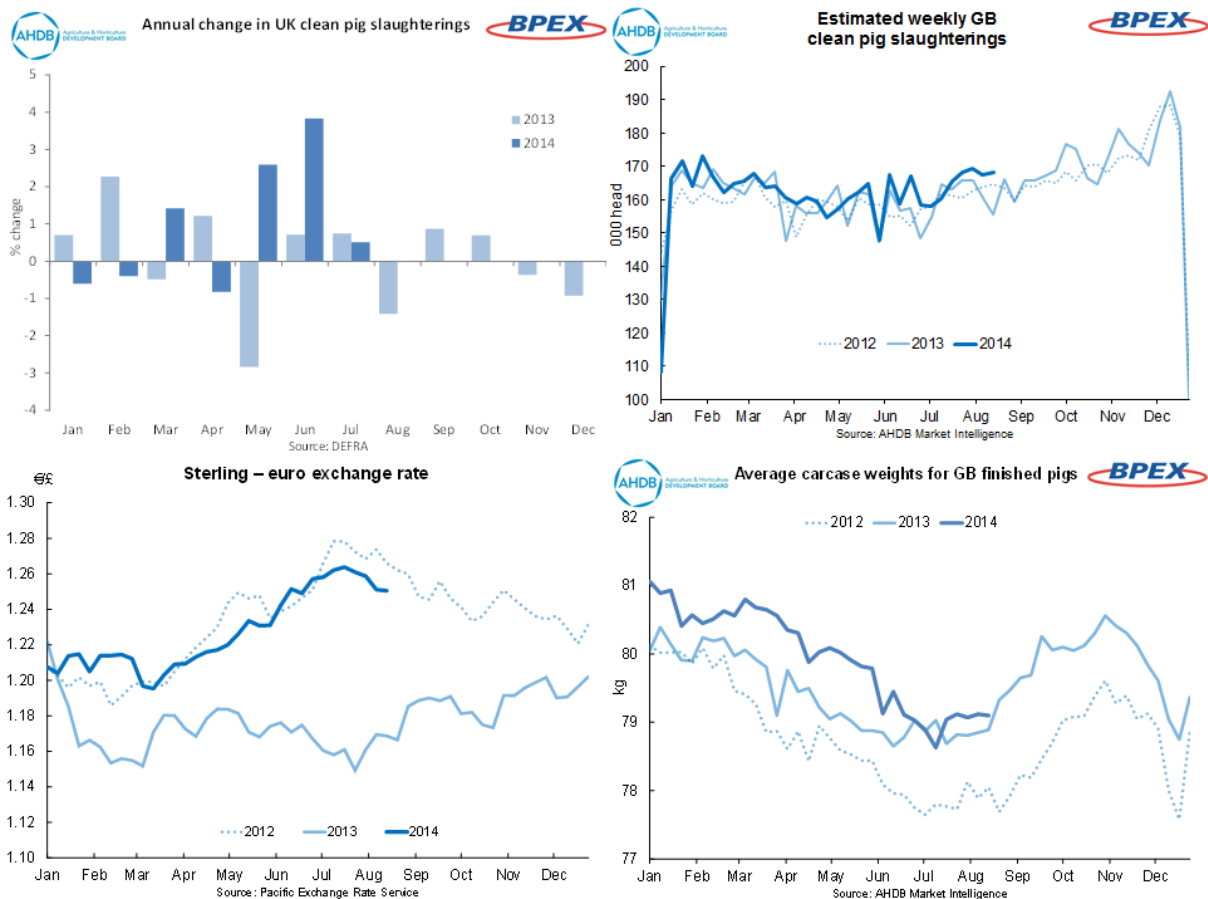
Over the month, pig prices in the EU were largely subdued as a result of lower demand in the market. This situation was relevant to Germany, where summer holidays suppressed demand, and prices were down by 4% on July 2013 and by 3% on June 2014. Despite some improvement in prices during the holiday season, French and Spanish quotations were below last year's level by 8%. Price falls were recorded across the other key EU pig producers during July, including the Netherlands (down 4%), Poland (down 1%) and Denmark (down 2%). In contrast, Irish pig prices in July were up by 7% compared with a year earlier. Prices were generally stable across most of the major member states in early August.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

Latest figures published by Defra show a marginal year-on-year increase in pig slaughterings in July, at 969,800 head. This was the highest July monthly figure since 2002, despite recent declines in the breeding herd. The number of pigs slaughtered in England and Wales increased by almost 1%, but this rise was offset by a 2% fall in Northern Ireland pig throughputs. Pig slaughterings in Scotland increased by

5% compared with the same month in 2013. This is the second straight month when Scottish throughputs have increased, following nearly two years of sharp declines.

In contrast to clean pig slaughterings, the adult pig kill declined by 3% compared with July 2013. This is a likely result of lower feed prices of late, encouraging producers to retain their breeding herd. In fact, sows and boar cullings were 14% down on July 2012, a time when producers were reacting to higher feed prices. Clean pig carcass weights for July averaged 79.5kg, 2% higher than the same month in 2013. Consequently, pig meat production also increased by almost 2% on July 2013, to 80,400 tonnes.



For the fourth time in the first six months of this year, UK pork exports recorded double digit year-on-year growth in June. With the exception of Germany, which was affected by the lower GB sow kill during the month, all significant markets recorded growth. Unusually, Denmark was the largest market during the month – presumably this was product for re-export, given strong Danish export sales to Asian markets. UK exports to China/Hong Kong rose by 22% and there was also good growth in some smaller non-EU markets. The June figures mean that total pork exports in the first half of 2014 reached 94,700 tonnes, 11% up on last year and the strongest first half performance since 2000. With lower unit prices, the value of exports during the six months was only 2% higher at £105.9 million.

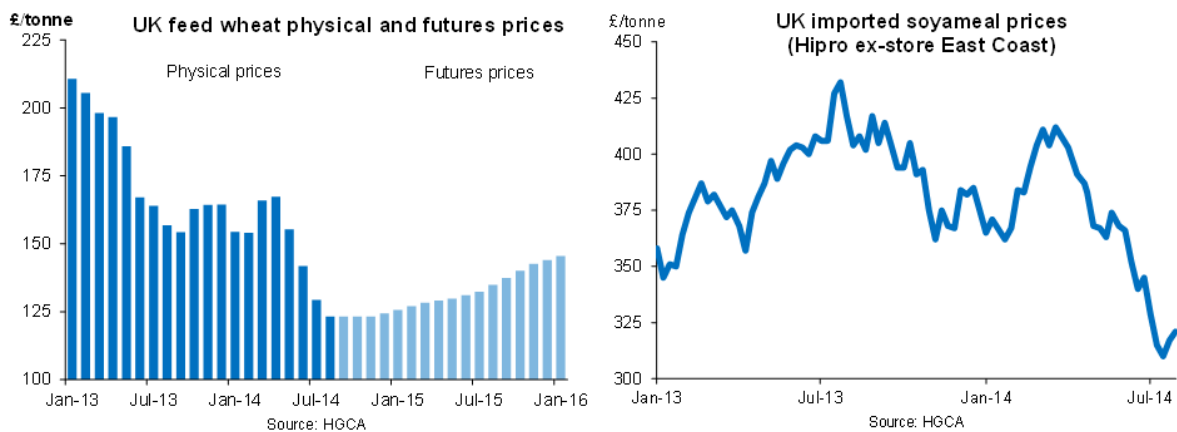
In contrast, the UK imported less pork in June than a year before. Much lower shipments from Denmark and small falls for the two other major suppliers, Germany and the Netherlands, were largely offset by increased volumes from smaller suppliers such as Spain, France and Poland. However, the total volume of pig meat entering the UK market was higher, due to increased imports of bacon/ham, sausages and processed products. Imports of Danish bacon were noticeably higher, continuing the recent trend of more product being cured before shipping, rather than being moved as pork, likely for curing in the UK.

Across the first six months of the year, there was growth in imports across the main pig meat categories. Overall, shipments were up 5% at 420,400 tonnes. The value of pig meat imports rose by just 3% to £1.06 billion, helped by the stronger pound.

## FEED MARKET

Domestic grain and soyameal prices are revisiting low levels not seen for four and two years respectively. Although further downward potential does remain, care should be taken not to become complacent. These ultra-low prices only seem to be a feature of this season with forward prices showing relative strength.

With the majority of the Northern Hemisphere wheat harvest nearing completion, the optimistic production forecasts of recent months are becoming reality. In its latest monthly report, the USDA upped its forecast of global production to an all-time record, unpinning the old adage that *'big crops just get bigger'*. Recent increases in production have stemmed from Russian and Ukrainian harvest forecasts. The unrest between these key exporters has potentially fuelled the pace of exports, as operators experience greater than normal cash flow constraints through a reluctance of financiers.



Elsewhere, production uncertainty remains in the Southern Hemisphere, where both Argentina and Australia are disproportionately large exporters relative to production. Australia is the main focus but a supportive start to the growing season is currently trumping the threat of El Nino, which could bring drought.

Closer to home, key Western European wheat producers, notably France, have had a difficult and wet harvest. This has fuelled the sentiment that a much larger proportion of wheat crops will be downgraded to feed quality, further swelling feed grain supplies. This is likely to maintain downward pressure on spot prices, despite the re-instatement of EU import tariffs after an absence of four years and following the decline in global prices.

After a strong and early start, which led to much of the UK winter barley and oilseed rape crops being harvested without the need for drying, a proportion of the wheat harvest has been dogged by rain.

Aside from wheat, downward price pressure is coming from the maize market, which is becoming the increasingly dominant global grain. Until the late 1990's global wheat and maize production were at level pegging. Now though, for the current year, maize is expected to dwarf wheat production by some 269Mt and it is a divide which continues to grow.

The USDA haven't shown the same level of confidence toward to the size of the US maize crop as other analysts and commentators, adopting the usual 'wait and see' approach. If weather conditions remain supportive, further increases in the US maize production estimate is likely. However, the USDA's forecast of both Chinese and Ukrainian production have remained unchanged so these are both watch points as there have been reports of dry weather at times.

The scale of the global grain production forecasts plus EU wheat quality issues have forced UK wheat futures (Nov-14) close to £120/t, which currently appears to be offering a level of support but may well be breached in the coming days and weeks. Further forward and prices for the 2015 crop (Nov-15) are at unusual premiums to the spot price, underlining the extreme nature of the current market conditions.

Similarly to the feed grain side of things, protein meal prices have recently set low prices not seen for a number of years. In general, the fundamentals remain the same – good production prospects.

Recent dryer weather in the US, although raising some concern doesn't appear to have impacted confidence in US soyabean production this year. As such, and following a good South American harvest at the beginning of 2014, prices have been forced lower. However, given the more even nature of oilseed production between Northern and Southern Hemispheres (as opposed to grain), South American output will soon be on the horizon. There is a question over how farmers will respond to lower prices, particularly with 'double crop' soyabeans – although this is a relatively small part of overall production.

## CONSUMPTION

### Trends in retail meat purchases (period ended 20 July 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>+4</b>	<b>+0</b>	<b>-1</b>	<b>+1</b>	<b>+1</b>	<b>-2</b>	<b>+2</b>	<b>+4</b>
Pork	+8	+2	-6	+2	-2	-3	+0	+0	+0
<i>Belly</i>	-20	-18	+2	-7	-6	+1	-7	-3	+5
<i>Chops</i>	-5	-6	-1	-1	-2	-1	-1	-0	+1
<i>Steak</i>	-7	-8	-1	-10	-11	-1	-4	-3	+1
<i>Leg Roasting Joint</i>	+83	+68	-8	+15	+7	-6	+5	-2	-7
<i>Loin Roasting joint</i>	+20	+7	-12	+22	+21	-1	+7	+4	-3
<i>Shoulder Roasting joint</i>	+37	+29	-6	+11	+1	-9	+2	+6	+4
<i>Ribs</i>	-20	-24	-4	-6	-8	-2	+0	+3	+3
<i>Marinades</i>	-8	-19	-12	+8	-2	-10	+12	+6	-5
Bacon	+2	+2	+1	-0	+1	+1	-3	-1	+3
Beef	+11	+14	+3	+4	+7	+3	-3	+5	+7
Lamb	-8	-0	+8	-18	-11	+9	-6	-1	+5
Poultry	-0	-2	-2	-2	-1	+1	-2	+2	+4
<b>Processed products</b>									
Pork Sausages	-4	-6	-3	-2	-2	+1	-2	+6	+8
Fresh Pre-packed Pork Pies	-0	-6	-5	+2	+2	+0	-1	+2	+3
Fresh Pre-packed Sausage Rolls	-11	-12	-0	-4	-3	+1	-1	+6	+6
Pork Chilled Ready Meals	+20	+15	-4	+18	+14	-4	+10	+9	-1
Pork Sliced Cooked Meats	-4	-3	+1	+1	+2	+2	+2	+4	+2

Q = quantity purchased, E = expenditure, P = price  
Source: Kantar Worldpanel

Shoppers' spending on pork was down 2% year on year during May to July, according to the latest Kantar Worldpanel data. The drop was led by chops/steaks, where expenditure was down 8% against the corresponding period a year ago. A drop in promotional intensity, driven by a reduction in price promotions this year, meant that not only did fewer households buy this cut but those that did bought less often and purchased less. The one sector that continues to perform consistently well is pork mince, which enjoyed annual expenditure growth of 51% and the quantity bought was up 45%. Indeed, the latest 12 week period saw mince reach nearly 6% of total pork sales and in the month of July, the share reached 7%. The versatility of pork mince, coupled with its attractive price proposition, means that it is increasingly finding favour with consumers.

Spending on sausages was down 2% over the latest period, compared to a year ago. The growth in the standard sector was more than offset by declining expenditure on the premium tier, which was down 8%. Average prices rose by 6%, impacting the number of households purchasing and the amount being bought per shop. Shopper spend on ham was fairly static, despite continued strong growth from the discounters, whilst expenditure on bacon was up 2%, helped by a small increase in prices.

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](#).

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