

Pig Market Trends

January 2014, Issue 104

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Prices by weight and back fat

The prices paid for pigs vary for many different reasons. Of course, there are changes in price levels over time but in any given week, the actual prices paid for different pigs will vary significantly. Much of the variation is because of differences between the pigs themselves. Understanding these differences can help producers to maximise returns by timing the marketing of pigs to achieve the best possible value. The variation of prices by carcase weight and back fat levels are analysed on **pages 4-5**.

Trends in international trade

MeatStats, a new product due to be published soon by AHDB Market Intelligence, highlights that since 1990, the amount of pork traded between different countries has more than trebled. There have also been significant changes in the main importing and exporting nations. An examination of these changes can be found on **page 7**.

US pork market

After a difficult year in 2012, with high feed costs and lower pig prices, 2013 had promised to be better for US pig producers. While this did prove to be the case in some respects, various challenges meant that it turned out not to be as good a year as many had hoped. On **page 8**, you can read about how, despite a better financial position and strong domestic demand, issues with disease and export restrictions impacted on the US industry.

GB cull sow prices

AHDB/BPEX has temporarily stopped publishing GB cull sow prices due to a reduction in the number of companies reporting prices. However, historical trends show that the GB and German sow prices are closely related. Developments in the German sow price since August are examined on **page 10**.

Places still available at Outlook 2014

It is now only two weeks before this year's Outlook Conference on Wednesday 12 February but there are still places available. The event will be opened by Food and Farming Minister George Eustice with other key note speakers from McDonald's UK and Gira. One of three breakout sessions will cover the outlook for the pig and poultry sectors. [Click here](#) to book your place.

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Key data

	Dec-13	Change since Nov-13	Change since Dec-12
GB DAPP (euro-spec) – p/kg dw	171.31	-0.25	+10.36
Average GB carcase weight – kg	79.16	-1.01	+0.88
30kg weaner price - £/head	56.32	-0.28	+10.18
GB cull sow price – p/kg dw	n/a	n/a	n/a
EU Reference price – €/100kg dw	170.13	-1.42	-2.82
UK Reference price – €/100kg dw	199.72	-0.10	+6.65
UK weekly clean pig kill – 000 head	189.6	-17.0	-2.0
UK weekly pig meat production – 000 tonnes	15.6	-1.7	+0.1
UK pork imports – 000 tonnes*	30.7	-1.1	-3.0
UK bacon imports – 000 tonnes*	23.9	-0.2	+1.2
UK pork exports – 000 tonnes*	15.3	-1.8	+1.1
Retail pig meat sales – 000 tonnes†	57.4	+1.8	-1.6
LIFFE feed wheat futures - £/tonne	164.34	+0.11	-51.80
CBOT Soyameal futures - \$/tonne	454.70	+35.90	+9.97

* Figures relate to November 2013

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 8 December 2013

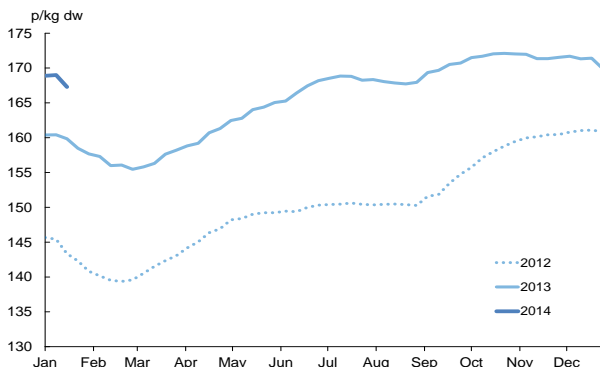
Interested in data? Get more detail about these and other areas from the [BPEX website](#)

We are now on Twitter. For regular updates about the UK pig market and related publications, follow us @HowarthStephen

UK Market Snapshot

GB finished pig prices were largely stable in the run up to Christmas, with the average price during December only marginally lower than the previous month at 171.31p/kg. However, prices have fallen since then, as is normal in the early part of the year, and by week ended 18 January, the EU-spec DAPP stood at 167.29p/kg. This was about 4p down on its level pre-Christmas but still over 7p above the same week last year. Subdued consumer demand post-Christmas and low EU prices have been suppressing quotes, despite pig supplies remaining relatively tight.

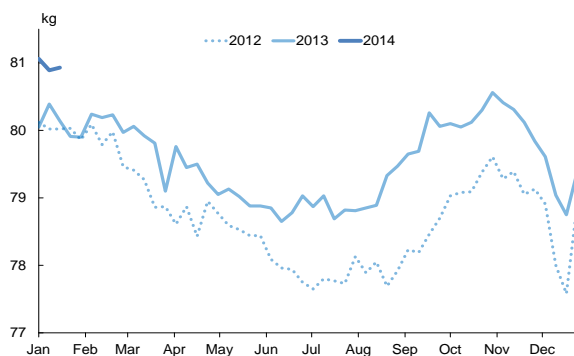
GB finished pig prices (DAPP)



Source: AHDB Market Intelligence

Having been higher throughout last year, carcass weights started 2014 at record levels, with the average for the first week of the year topping 81kg for the first time ever. This has mitigated lower slaughterings to some extent and contributed to the pressure on prices. The average weight of 79.16kg for pigs in the DAPP sample in December was around a kilo lower than in November, as producers pulled pigs forward in advance of the holidays. However, it was well up on the 78.28kg average recorded in December 2012.

Average carcass weights for GB finished pigs

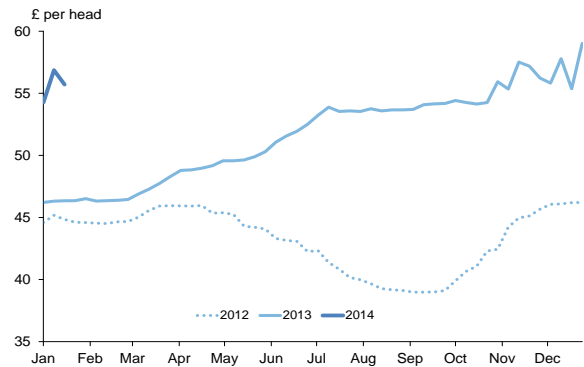


Source: AHDB Market Intelligence

As expected, the new methodology for reporting weaner prices has proved to be somewhat more volatile than the old approach. During December and early January, prices have varied between £54 and £58 per head but overall the market appears to be stable, with December's average price of £56.32 just 28p lower than November's. Relatively tight supplies and steady demand from finishers means that prices are over £10 higher than a year ago. Prices for 7kg weaners have also been stable,

with the average price in December identical to the previous month at £42.93 per head.

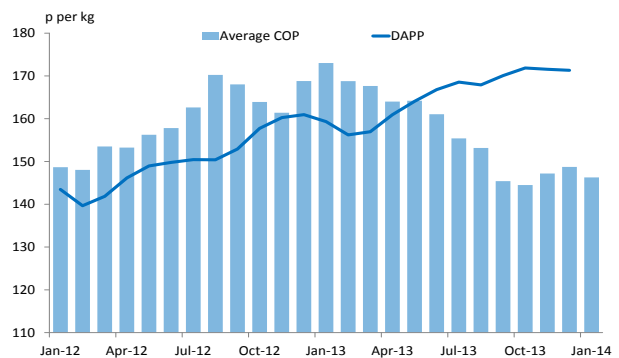
GB 30kg weaner prices



Source: AHDB Market Intelligence

Latest provisional estimates from AHDB/BPEX show that the cost of GB pig production was again little changed in January. The average cost for the month is estimated at 146.3p/kg. Although this is around 2p lower than the estimate for December, this can largely be attributed to the heavier carcass weights in January. Although wheat prices have eased somewhat in recent weeks, this hasn't yet fed through into compound feed prices, meaning that underlying costs have been little changed since September.

Total cost of pig production compared with the DAPP



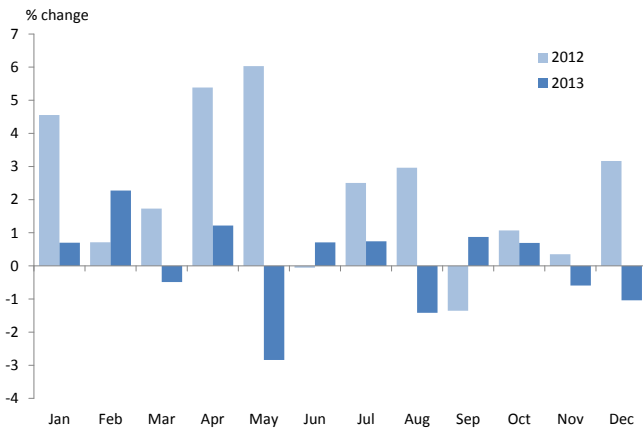
Source: AHDB Market Intelligence

The current situation is in marked contrast to a year earlier, when production costs reached a record high of 173p/kg. Last January, the DAPP averaged just over 159p/kg, around 10p below its level early this year. With both prices having moved in favour of producers, a loss of £11 per pig has been transformed into a positive margin of around £18 per head. Nevertheless, the high costs last year emphasise that the profitability of the sector remains vulnerable to any future shocks in global cereals or oilseeds markets.

For the second consecutive month, UK clean pig slaughterings were below year earlier levels in December. Throughputs during the month totalled 758,300 head, 1% lower than in December 2012. All parts of the UK recorded similar trends, with the English kill down by 1% and Scottish and Northern Irish numbers both down by 2%. That meant that UK slaughterings for the year as a whole reached 10.05 million head, just 12,000 more than in 2012.

UK Market Snapshot

Annual changes in UK clean pig slaughterings

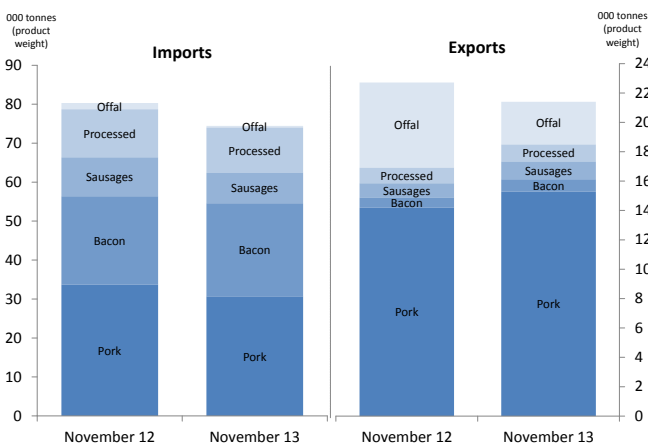


Source: Defra

Adult sow and boar throughputs in December were down 7% on the year at 15,900 head. This meant that cullings for the year as a whole were 5% lower, with a total of 252,000 head. The heavier clean pig carcase weights during the month meant that, despite the lower slaughterings, pig meat production was marginally up on the year at 62,500 tonnes. Total production for the whole of 2013 was 832,900 tonnes, 1% more than in 2012.

The UK's strong pork export performance continued in November, with volumes up 8% compared with a year earlier. Shipments to China reached a record 3,300 tonnes, more than 40% up on the year, making it the largest market for the first time since April. However, this was offset by a fall in exports to Hong Kong, so overall shipments to the region were little changed from November 2012. Volumes sent to other EU Member States, which made up over 60% of the total, were up 9% year on year. Exports of cured and processed pig meat were also higher than a year before but offal shipments were only about half their level in November 2012. This was due to a collapse in EU sales, with shipments to Greater China and other non-EU markets higher.

UK pig meat trade

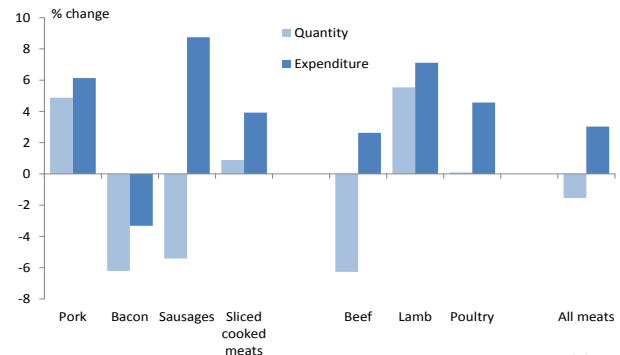


Source: Her Majesty's Revenue & Customs

In contrast, pork imports were 9% down on the year. As has been the case for much of the year, tight supplies in Denmark led to a 22% fall in shipments, although it remained the leading supplier. This was partly offset by a rise in imports from Germany, where pigs were more plentiful. Denmark and Germany both shipped more bacon/ham to the UK in November, leading to a 5% rise in overall shipments. The other major supplier, the Netherlands, did send less bacon to the UK. Processed pig meat imports were lower, however, with a particularly sharp fall for sausages.

The latest figures from Kantar Worldpanel show that the amount of pork purchased in the 12 weeks to 8 December was 5% higher than a year earlier and expenditure rose 6%. Shoppers have been buying pork more frequently and buying more per trip. Shoulder roasting joints performed particularly well, making volume gains of 19%, boosting spending by 26%. Increases have been a result of shoppers switching in from beef and lamb as well as from pork leg joints. Pork shoulder continues to offer a lower priced alternative to other proteins. Chops and steaks also had a strong quarter, with shoppers buying them more often, encouraged by an increase in promotions.

Annual percentage change in retail meat purchases (12 weeks to 8 December 2013)



Source: Kantar Worldpanel

Bacon continues to struggle, with volumes purchased 6% behind last year. Fewer shoppers bought bacon and those remaining purchased it less often. Consumer spending was down 3% as a result. Rashers, joints and steaks all suffered volume and value declines. Meanwhile, spending on sausages increased 8%, despite a 6% drop in volumes. Both bacon and sausages lost out to fresh chicken and pizzas over the three months. Pre-packed ham made some gains again during this period, with shoppers buying slightly more often.

In the latest four weeks a similar trend was seen. Although smaller, sales growth for pork continued and was still driven by chops, steaks and shoulder joints. Bacon and sausages continued to be impacted by fewer shoppers buying, resulting in further volume decline. Ham, on the other hand, recorded purchase growth of 3%, outperforming all other proteins in terms of actual volume gains.

UK Market Analysis

The impact of weight and back fat on pig prices

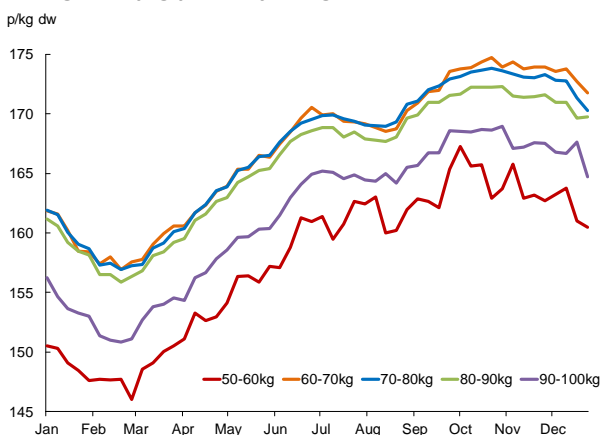
The prices paid for pigs by slaughterhouses vary for many different reasons. Of course, there is wide variation over time, due to changing market conditions. However, in any given week, the actual prices paid for different pigs will vary significantly. In a typical week, most pigs will be valued within 10p/kg of the average but prices will be well spread within that range.

Some of this variation will be down to contract terms, including any premiums paid for particular production systems (such as outdoor-bred) or accreditation (such as Freedom Foods). However, much of the variation is because of differences between the pigs themselves. Understanding these differences can help producers to maximise returns by delivering pigs which achieve the best possible value.

So what is the best weight at which to market a pig? There is no simple answer to the question as it will depend on a range of factors, including some which will be farm-specific or seasonal. However, part of the marketing decision is an economic calculation balancing the extra costs (in feed and other inputs) of adding another kilogramme of weight against the extra return for doing so. Where this balance falls will depend on the relative prices of feed and pigs. It will also be influenced by factors such as the killing out percentage, the feed conversion ratio achieved at different weights and the risk of pigs being overfat at higher weights. Nevertheless, understanding how prices vary by weight and back fat can help producers make these decisions on an informed basis.

Prices for pigs in different weight bands broadly follow the same trend as prices for all pigs. Average prices are little different for carcase weights between 60kg and 90kg but fall away either side of that range. Pigs weighing 90-100kg achieve an average of around 5p less per kg, while those weighing 50-60kg make nearly 10p less per kg. Prices for the small number of pigs with carcase weights below 50kg or above 100kg are often 40p/kg or more below those in the normal weight range.

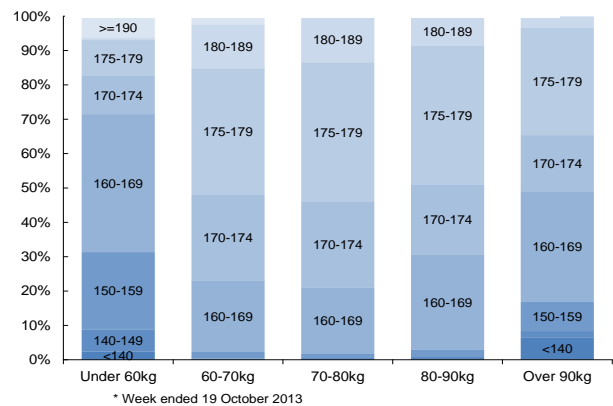
Average GB pig price by weight band, 2013



Source: AHDB Market Intelligence

Around 90% of pigs slaughtered at major abattoirs fall into the 60 to 90kg weight band (just over 80% are between 70 and 90kg). As well as achieving higher average prices, there is also less variation in price for pigs in these central weight bands. For example, in week ended 19 October, over 90% of pigs weighing between 60 and 90kg attracted a price of between 166p and 182p per kg (the EU-spec DAPP for that week was a fraction over 172p/kg). Outside that weight range, only 70% of pigs were priced between those two values, with 10% receiving 152p/kg or less.

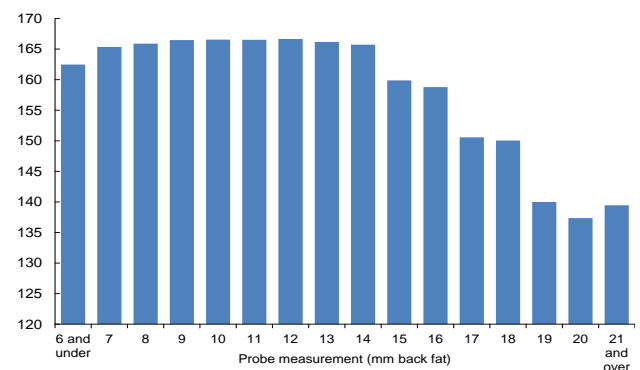
Price distribution (in p/kg) for GB pigs in a typical week*



Source: AHDB Market Intelligence

Of course, carcase weight is not the sole reason why prices vary between pigs. Back fat measurements also contribute, along with other aspects of quality which are harder to measure. Over the course of 2013, pigs with a probe measurement of 14mm or lower received an average price of over 166p/kg, with relatively little variation in average price (except for those with particularly low levels of back fat, which will mostly have been under-weight). However, prices fell away rapidly for pigs with higher probe measurements.

Average pig price by back fat probe measurement, 2013



Source: AHDB Market Intelligence

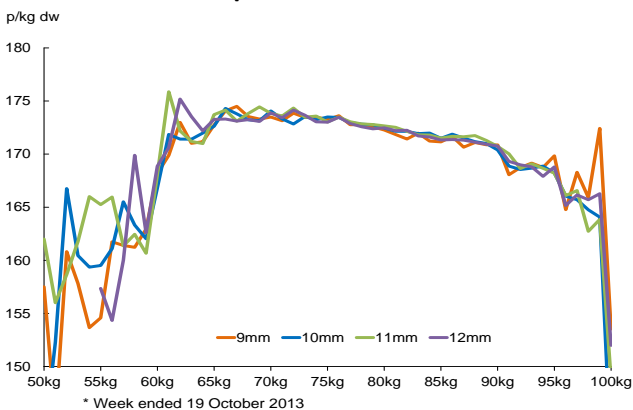
These days, many pigs are sold on contracts which pay producers a defined price for pigs falling within a given specification (often referred to as the Q-Box). This typically consists of a range of carcase weights and a maximum back fat probe measurement. Pigs outside this specification are penalised, with producers receiving a lower price per kg.

UK Market Analysis

The definition of the Q-Box varies between contracts, depending on the requirements of the retailer or other customer for the product. The analysis which follows is based on typical contract ranges but the details will vary depending on the Q-Box specification for individual contracts. The figures above suggest that typically the maximum probe measurement for the Q-Box is 14mm. This is supported by an analysis for different weight bands, which all show a similar fall in price for pigs with back fat of 15mm or over.

A similar analysis can help to identify the typical Q-Box range for carcase weights. This is somewhat less clear cut, suggesting more variation between contracts. For any given probe measurement, average prices reach a high point for pigs with carcase weights somewhere between 60 and 70kg. The average price stabilises from around 65kg upwards and then drifts down very slowly up to around 90kg. It then starts to fall away somewhat more rapidly, although at both ends of the weight range the average price series is somewhat erratic due to the small number of pigs involved.

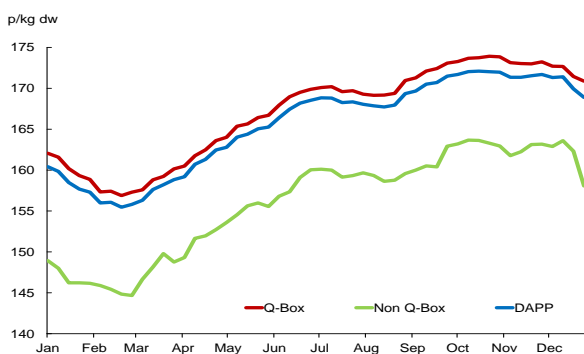
Average GB pig price by carcase weight in a typical week* for different probe measurements



Source: AHDB Market Intelligence

This suggests that many Q-Boxes will include carcase weights in the range 65-90kg. We can use this definition, along with a maximum probe measurement of 14mm, to compare prices for pigs which hit a typical Q-Box against those which do not. On average, around one in five pigs fail to meet this specification; the average price for these pigs is about 11p/kg lower than that for those which do.

Average GB pig price by carcass quality, 2013



Source: AHDB Market Intelligence

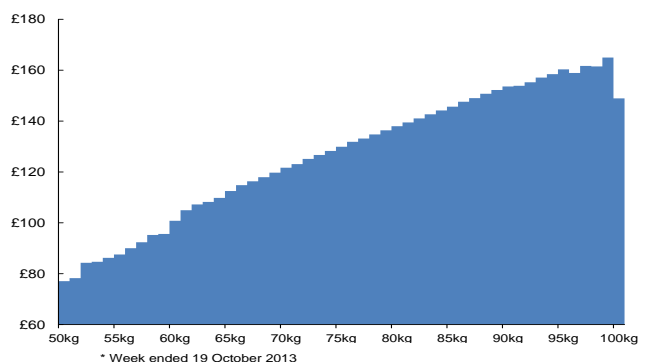
In comparison with the DAPP, prices for pigs within this Q-Box average between 1p and 2p higher. The gap is fairly consistent but tends to be slightly higher at the beginning and end of the year, when carcase weights average heavier, meaning slightly more pigs are overweight or overfat.

One other aspect of a pig which is easy to determine is whether it is a boar or a gilt. Prices for these two groups were very similar, with only a fraction of a penny between the average prices over the year. There was also little difference between the sexes in terms of carcase weights.

The analysis so far has looked at prices on a p/kg basis. However, producers actually get paid a price for each pig. Judgements about when to market pigs would also be based on the price for the whole pig rather than the price per kilo. So how does the value of a pig vary by carcase weight?

Within the typical weight range, the actual price paid per pig in the week ended 19 October varied from an average of £113 for a 65kg pig to £154 for a 90kg pig. In fact there is a fairly steady increase in the average value of a pig from 50kg up to 90kg, with each extra kilogramme adding to the price received. The upper and lower end of the range of steady price rises will vary between contracts depending on that contract's weight range. Within the Q-Box range, extra value received for an additional kilogramme of carcase weight is normally close to the average price per kg. Of course, it should be remembered that adding a kilo of carcase weight means more than a kilo of extra weight on a live pig.

Average value of a pig by carcase weight in a typical week*



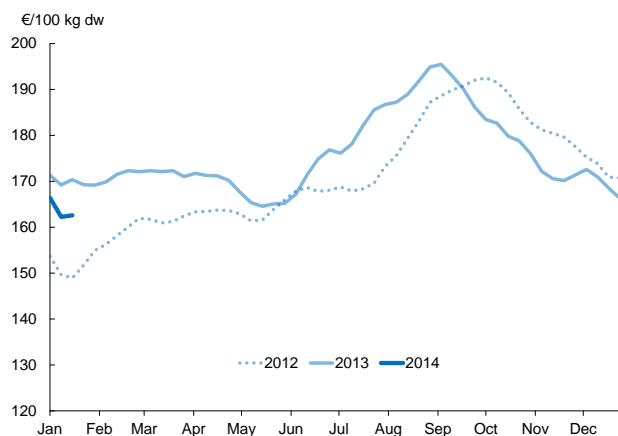
Source: AHDB Market Intelligence

However, on average, taking a pig from 90kg to 91kg doesn't really add any value, with the fall in the average price per kg offsetting the extra weight. Again, the point at which this happens will vary by contract. From 91kg to 95kg, the average value again increases steadily but above 95kg, the returns are less certain. The value of a pig starts to decline rapidly once its carcase weight passes 100kg. This suggests that, in order to get the best returns, producers need to be particularly careful about marketing pigs which are at the upper end of the normal weight range.

EU Market Snapshot

EU pig prices ended 2013 on the same downward trend which had been apparent since September. Despite a short reversal of the trend in November, the EU average reference price averaged €170.13 per 100kg in December, over a euro lower than in November. The average price ended the year at around €166 per 100kg, almost €30 lower than the peak in early September and €5 down on the end of 2012. The price fell a little further in early January but showed signs of stabilising. The market remains finely balanced, with some reports of tighter supplies ahead but consumer demand apparently still weak.

EU average pig reference price



Source: EU Commission

All of the major producing member states recorded falling prices during the final month of 2013. The sharpest declines were in Belgium, where the average price fell more than €15 per 100kg in three weeks, and Denmark, where the price dropped by more than €10 in the same period. Elsewhere, falls were typically closer to the EU average of €5, although the Irish market was largely stable. In euro terms, the UK price dropped less sharply and, as a result it ended the year around €30 above the EU average, the biggest gap in nearly a decade.

According to latest figures from Eurostat, EU pig slaughtering in October 2013 totalled 22.1 million head, around 1% lower than in the same month of 2012. This continued the trend recorded during most of the year, with throughputs for the first 10 months down by a similar proportion at 203.7 million head.

With carcase weights averaging somewhat heavier than in 2012, pig meat production during October was virtually the same as a year earlier, at a fraction under 2 million tonnes. With many forecasts having suggested that slaughterings would be down in the second half of last year, these figures indicate that pigs were more plentiful than anticipated. This has contributed to the falling prices seen across the EU since the summer.

EU pig slaughtering trends

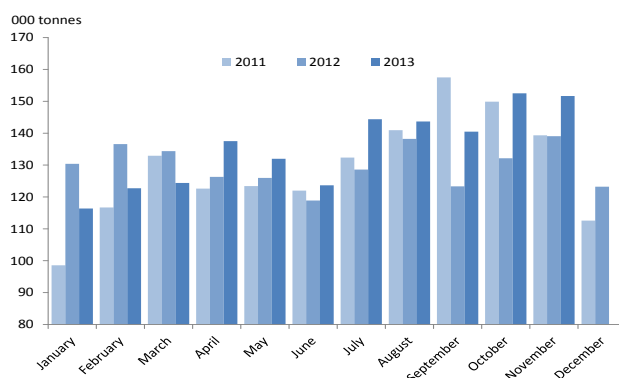


Source: Eurostat

The three largest pig meat producers, Germany, Spain and France, all recorded year-on-year falls of 1-2% in October slaughterings. Danish throughputs were similar to a year earlier, while some countries, including Italy, Poland and Belgium, did record modest increases. Despite October's fall, Germany killed 1% more pigs in the first 10 months of the year, partly due to increased live imports. Most other major producers recorded falls of 2-3% for the year to date.

November was another good month for EU pork exporters, with shipments up by 9% year on year, to 151,700 tonnes. This was only slightly lower than in October, which was the best month for over two years. The top five markets for EU pork all took more than a year earlier. Russian demand was still strong, given the continuing ban on US pork and restrictions on a number of other suppliers. Japan also performed well, with shipments 29% up on November 2012, while other key Far Eastern markets also recorded double digit growth. Belarus, Ukraine and Australia were among the few markets which took less EU pork this November.

EU monthly pork exports



Source: Eurostat, GTIS

The slowdown in offal exports continued in November, with shipments down 8% on the year, although at 98,800 tonnes volumes reached their highest point in 2013. As in most recent months, both China/Hong Kong and Russia, the two main markets, took less EU offal, partly offset by growth in smaller markets, notably the Philippines.

Global Market Analysis

The shifting pattern of international pork trade

Since 1990, the amount of pork traded between different countries has more than trebled, although growth has stalled in the last two years. In 1990, the total amount traded was below 3 million tonnes; last year it was around 10 million tonnes.

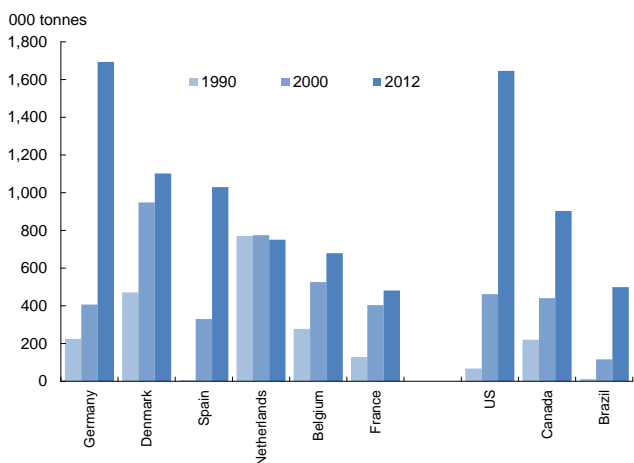
This is among the information which can be found in a new product from AHDB Market Intelligence, which will be published on the BPEX website in the next few days.

MeatStats is a series of 13 tables covering different aspects of the UK or global meat market. Each contains time series figures back to at least 2000 and in most cases as far as 1990. As well as pork, the tables also cover beef, lamb and poultry. Accompanying charts illustrate some of the key trends.

The MeatStats table covering global trade also provides details of trends for some of the key importers and exporters. Part of the growth has come from a tripling of trade between EU Member States, which makes up around half of the global total. In 1990, the Netherlands was the EU's (indeed the world's) biggest pork exporter, shipping 770,000 tonnes that year. Although its exports have changed little since then, it is now only the fourth largest exporter in the EU (and the sixth biggest globally).

Dutch exports have been overtaken by those from Germany, Denmark and Spain. Denmark was the second biggest exporter in 1990 and has since more than doubled its shipments. However, this was insufficient to prevent Germany overtaking it as the leading EU pork exporter. At 1.69 million tonnes, its shipments are now 7.5 times higher than in 1990 and four times more than in 2000. Spanish growth has been even more dramatic. In 1990, its exports were negligible. This began to change during the 1990s, with export growth accelerating after 2000. By 2012, shipments topped 1 million tonnes for the first time.

Trends in pork exports from major exporters



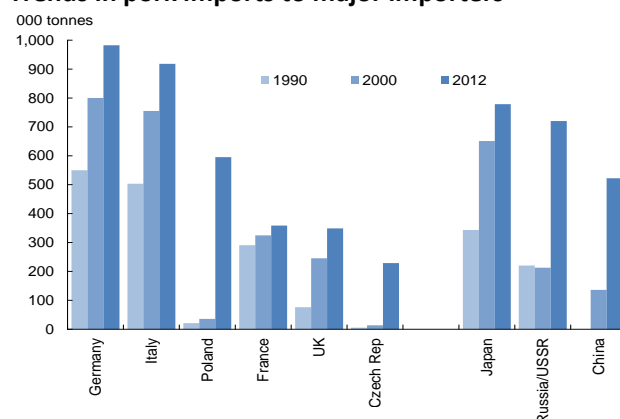
Source: GTIS, FAOSTAT

The move from importer to exporter has been a deliberate German strategy, achieved, in part, by increased imports of live pigs. These have grown from just

over 1 million head in 1990 to over 14 million in 2012. Both weaners and slaughter pigs have been involved, although the former has been the focus of recent growth. With the Netherlands and Denmark the main sources, this has constrained their pork exports and helped to ensure that Germany has an increasingly dominant position in the EU pork market.

Outside the EU, shipments from the world's other major exporters have also grown. In 1990, the US only exported 67,000 tonnes of pork; by 2012 it shipped 1.65 million tonnes. Similarly, Canadian shipments rose from 220,000 to 900,000 tonnes, while Brazilian trade grew from 12,000 to 500,000 tonnes. One exception was Taiwan, the world's second largest non-EU exporter in 1990 but, following FMD and other health issues, a negligible exporter now.

Trends in pork imports to major importers



Source: Eurostat, GTIS

Despite its export growth, Germany has remained the largest importer of pork, with shipments nearly doubling, reinforcing its key position in the EU market. Italy has recorded similar growth and its imports remain just behind Germany's. The UK, the Netherlands and Austria have also increased imports significantly during the period, with the UK moving from being largely self-sufficient to being a substantial net importer as its herd has declined. There has also been a major expansion of trade with the new Member States which have joined the EU since 2004. For example, Poland is now the third largest importer in the EU.

Increasing domestic demand has seen China emerge as a major market for global exporters (it was a net exporter in 1990) and it was the third largest non-EU market in 2012. Japan and Russia remain the leading importers outside the EU, as they have been for most of the period. Shipments to Russia are three times higher than those to the whole of the USSR in 1990, while volumes sent to Japan have more than doubled. Over the period, US imports, the second highest outside the EU in 1990, have been relatively stable, decreasing its global importance as other markets have grown. US pork production has expanded significantly during this period, limiting its import requirements.

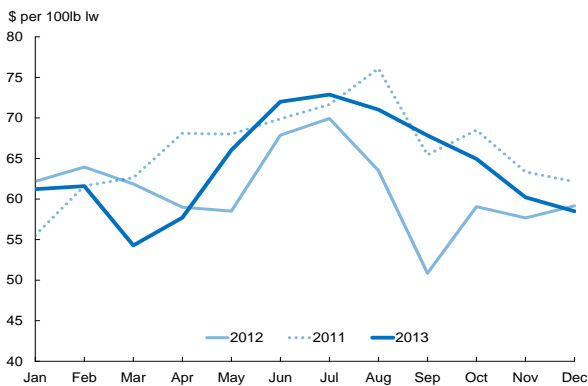
Global Market Analysis

Mixed year for the US pork industry

After a difficult year in 2012, with high feed costs and lower pig prices, 2013 had promised to be better for US pig producers. While this did prove to be the case in some respects, various challenges meant that it turned out not to be as good a year as many had hoped.

In purely financial terms, 2013 was certainly better for US producers. As was the case across the world, input costs, particularly for feed, were substantially lower, particularly in the second half of the year. At the same time, pig prices spent most of 2013 above year earlier levels, reaching close to the record highs recorded in 2011 over the summer. On average, prices were around 5% higher than in 2012 at just over \$64 per 100lb liveweight (about 90p/kg liveweight or 120p/kg deadweight).

US barrows and gilts price, National base



Source: USDA

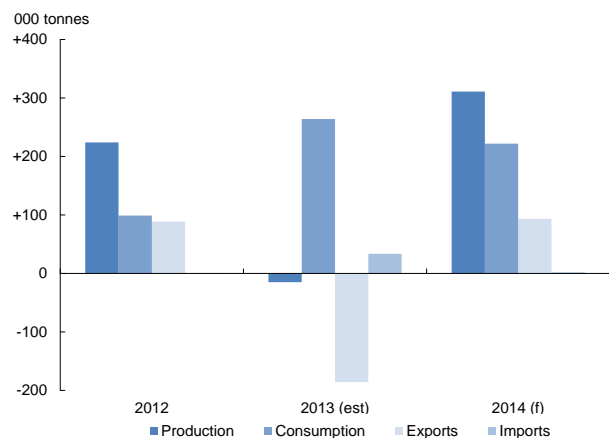
The main driver of higher prices was tight supplies, largely the result of poor profitability in 2012 (and early 2013) which led to some reduction in the number of sows farrowing. Although this was partly offset by productivity gains, with a record 10.33 pigs weaned per litter in the summer quarter, the pig crop was down on a year earlier during the first half of 2013. As a result, pig slaughterings in the first 11 months of the year were 1% down on a year earlier. Most of the fall was in the second half of the year, with a 4% year-on-year decline between August and November.

In recent months, the tight supply situation has been exacerbated by an outbreak of Porcine Epidemic Diarrhoea Virus (PEDV) which has affected the US herd since the spring. By the end of the year, 2,084 farms in 22 states were known to be infected and the actual number of cases is likely to have been much larger than this.

As a result of the PEDV outbreak, USDA's latest hog inventory showed a 1% decline in the national herd. Given the robust financial position of producers, this decline was somewhat unexpected and suggests that the disease impact may have been worse than previously thought. This is worrying, particularly since the source of the outbreak is still unclear, making it difficult to know how to prevent it spreading to other countries.

The tight supply situation has been met by a mixed picture on demand. US consumer demand for pork was strong throughout 2013. Better economic conditions led to a modest increase in overall US meat consumption, which had been declining in recent years. At the same time, high beef prices, caused by drought-related reductions in the cattle herd, meant many consumers switched to cheaper alternatives, including pork. Nevertheless, at around 27.5kg (carcase weight equivalent), consumption remains comfortably below pre-recession levels, so there is room for further increases this year.

Annual change in US pork supplies, production, consumption and trade



Source: USDA

The strong domestic market helped minimise the impact on the US pig sector of problems on export markets. For the year to November, pork exports were 11% lower than in the same period of 2012, totalling 1.35 million tonnes. One key reason was restrictions imposed by several countries, most notably China and Russia, due to American use of the feed additive Ractopamine. Shipments to Russia stopped completely from March onwards, while those to China were down by nearly a quarter. These two countries accounted for 18% of US exports in 2012, so the impact was significant.

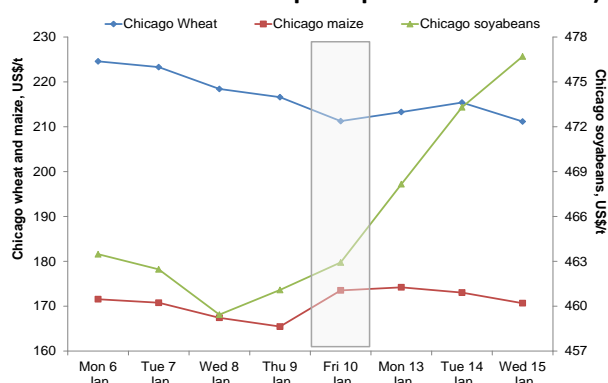
Many other major markets also took less US pork in 2013, with Mexico the only country among 2012's top 7 destinations taking more (and then only 2% more). The rise in consumer demand encouraged a 12% increase in imports of pork during the year to date, mainly from Canada.

Despite the fall in the herd, the latest USDA inventory indicated that farrowings are likely to be higher than a year before in the winter and spring quarters. If this is the case, then slaughterings and production should be higher than last year. This would help support further gains in domestic consumption, particularly if, as forecast by USDA, prices average lower than this year. Export markets may also improve a little, with Chinese restrictions easing, at least.

Feed Market

On Monday 20 January, the UK feed wheat May-14 futures price closed at £152.90/t, down 8% on a month earlier, when prices were still relatively calm. However, some volatility was injected into the global grain market, as prices dropped following the release of USDA information on 10 January. The Chicago maize May-14 futures price settled approximately 1% lower on Friday 17 January at \$169.98/t, compared to the closing price a month before. Chicago maize prices have generally hit contract lows this season, following a bumper maize crop production, but the USDA data resulted in a trend reversal. However, prices have continued to decline again, on the back of supportive news on the Argentine weather (rain).

May-14 Chicago wheat, maize and soyabean prices (before and after USDA reports published on 10 Jan)



Source: USDA

The USDA, in its January report, revised global maize production for the 2013/14 season 2.6Mt higher from its December estimate to 966.9Mt (862.9Mt in 2012/13) but an increase in consumption led to a downward revision in stocks. The quarterly US stocks data showed that maize stocks available as at 1 December were 30% higher than the same time in 2012 but this was lower than trade expectations.

A combination of lower than expected US stocks and the overall reduction in global stocks resulted in the price increase. The global maize stocks-to-use (STU) ratio is now estimated at 17.1%, 0.2% points lower than in December, but higher than last season's 15.4%.

Although the estimated STU ratio has increased on last year, it is still historically low and this year's surplus production needs to be maintained for a number of years to prevent any potential for price volatility. The price reactions to the USDA report meant that the spread between US wheat and maize prices narrowed. This could impact on the competitiveness of maize, which has been expected to substitute some wheat in UK feed rations this season.

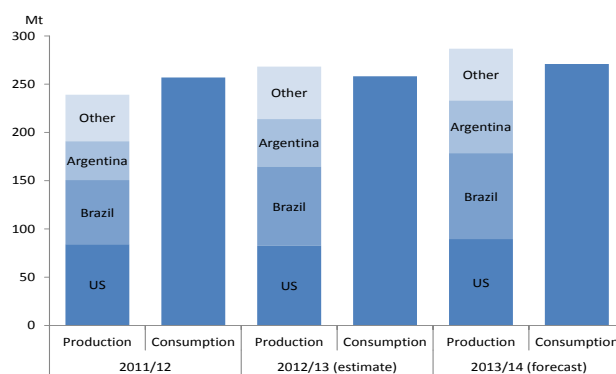
Substitutions of grains, and a significantly different season in terms of weather and wheat quality, are reflected in the latest UK trade and usage data up to the end of November. UK wheat imports showed the biggest monthly decline so far this season while maize

imports showed the biggest monthly increase. Feed demand data showed that mild weather took its toll on GB compound production which was down 3% year-on-year in November. However, demand is still up on November 2011 across all species. Maize made up 6% of total grains used in rations, against 4.6% in October, demonstrating the substitution effect. Meanwhile UK maize imports increased to 222Kt, the second highest monthly figure in six years.

Turning to oilseeds, the Chicago soyameal futures price (May-14) settled at \$445/t on Tuesday 21 January, a 5% decline on a month earlier. Although US soyabean production is currently projected at the third largest on record at 89.5Mt, strong demand domestically and also from China continues to point towards a tight supply and demand balance. With US stocks being viewed as tight, the South American crop is anticipated to bring some relief this season, but global demand for the commodity remains rampant.

The USDA currently forecasts the 2013/14 Argentine and Brazilian crops at record levels. However, the weather in the next few months will be critical to the realisation of the South American crop estimates. Export logistics should be expected to provide a supply bottleneck again this season, preventing some downward price movement.

World supply and demand estimates for soyabeans



Source: USDA

The global soyabean market is being driven by strong demand, which meant that prices have remained firm, although lower year on year. The South American crops, if realised, should naturally result in more competition and, thus, lower prices. However, there are still factors that could hinder this, such as the tightness of the US stocks, the South American weather and the logistics of getting the crop to the export market.

However, the nearby Chicago soyabean price closed at the lowest level since November 2013 last Tuesday, following reports of improved Argentine soyabean crop outlook and the traditional expectation that demand will soon shift to South America. As at 16 January, 92% of the intended Argentine soyabean area was sown with 86% of the crop reported in good to very good condition (Argentine Ministry).

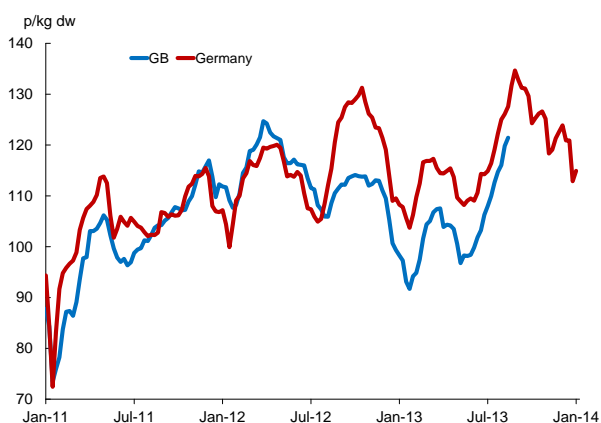
In Brief

GB cull sow prices

AHDB/BPEX has temporarily stopped publishing GB cull sow prices since August 2013 due to a reduction in the number of companies reporting prices. However, there is an on-going process to recruit more members to ensure a representative sample and the issue will be resolved as soon as possible.

In the meantime, the German M1 sow price provides a good approximation of the possible trends in the GB cull sow price. Historical trends show that the two prices are closely related, unsurprising given that a large proportion of GB sow meat is exported to Germany. As a result, any demand fluctuation in Germany is reflected in the UK domestic prices. Although the GB price fell behind the German one in autumn 2012, when GB slaughterings were unusually high, the gap had begun to narrow again when price reporting stopped last summer.

Comparison of GB and German cull sow prices



Source: AHDB Market Intelligence, EU Commission

The German M1 sow price rose between May and August by the equivalent of 25p/kg, in response to a stronger clean pig market. However since then, German sow prices have fallen back again, again driven by the finished pig market. With the normal seasonal closures of processors adding to the downward pressure, the sterling value of the German price was down to 114.93p/kg for the week ended 5 January 2014.

Based on the historical trends, this suggests that GB cull sow prices will have fallen from the last recorded price of 119.81p/kg for week ended 11 August 2013. The anticipated trend is supported by information about

sow prices published elsewhere. If the gap between GB and German prices has remained similar to recent levels, then it would imply a GB price close to 100p/kg at the turn of the year, similar to the level a year earlier.

Fewer German pig farms

According to provisional November census data, the number of pigs in Germany was 1% lower than a year earlier, with breeding pigs down by 3%. This represents some recovery since May, when the breeding herd was down 6% year on year. The figures also show a 7% fall in the number of German pig farms, with 13% fewer breeding farms. Many smaller farms chose not to convert to loose housing. This was partly offset by some expansion among larger farms.

Defra announces details of English CAP implementation

Defra has released its initial response to the consultation on CAP reform. A further response will be issued in early 2014. Among announcements are that the amount of funding transferred from Pillar 1 to Pillar 2 will be 12% and not 15% as initially planned, that the minimum 5% level of reductions will be applied on basic payments over €150,000 and that Defra will adhere to the standard EU measures on Greening. The report of the consultation is available by [clicking here](#).

Slow recovery of EU production forecast

The EU Commission's latest medium-term outlook forecasts that pig meat production will begin to increase again this year. Only modest growth is expected over the coming years, so production won't return to 2011 levels until around 2020. Over the next decade, consumption is set to recover slowly but will remain below its level in 2011. Pork exports are set to be steady over the next two years but to grow slowly over the rest of the decade.

Brazilian pork exports down in 2013

Brazilian pork exports continued to weaken in the last quarter of 2013, to end up 12% down on 2012 for the full year. This was mainly due to a halving of shipments to Ukraine, although they were still up on 2011 levels. In contrast, exports to Russia were up 6%. Shipments to Hong Kong, the second largest market, were down 1%. Despite the fall in volumes, the value of exports was up marginally, helped by the weakening of the real.

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