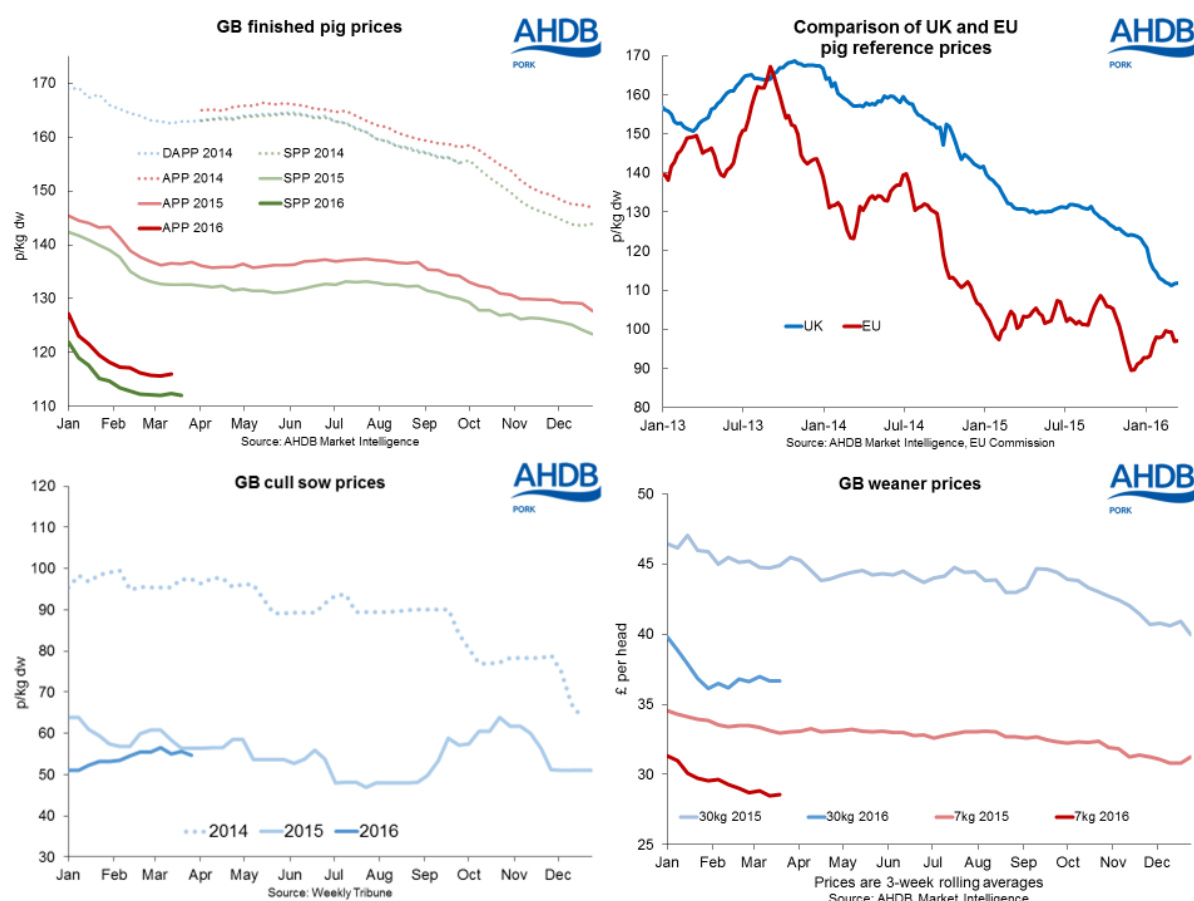


April 2016

UK PRICES

GB pig prices fell once again during February, although not as sharply as was recorded in January, with the monthly average EU-spec APP nearly 5p lower than a month earlier, at 116.66p/kg. The fall in price comes as supply is still outstripping demand, although a firmer EU market and weaker pound helped to prevent prices falling more. Into March, the price fell further, albeit by smaller amounts, with the APP recording a marginal increase of 0.25p/kg on the week in week ended 12 March, residing at 115.94p/kg. With Easter approaching, the price may fall once again as demand is expected to dip over the long weekend.

The SPP followed a similar trend to the APP in February, also recording a 5p fall month on month, standing at 112.70p/kg, which is the lowest monthly average price since February 2008. The gap between the APP and SPP went back under the 4p threshold in February and stood at 3.96p/kg. This is because the SPP fell at a slightly lesser rate than the APP.



In February, the average monthly carcass weight increased one again with the APP sample averaging 83.28kg for the month. This is the highest monthly average on record, aided by low feed prices and mild weather. However, the heavy weights may also indicate that demand remains subdued and has prevented the backlog of pigs which built up over Christmas from completely clearing.

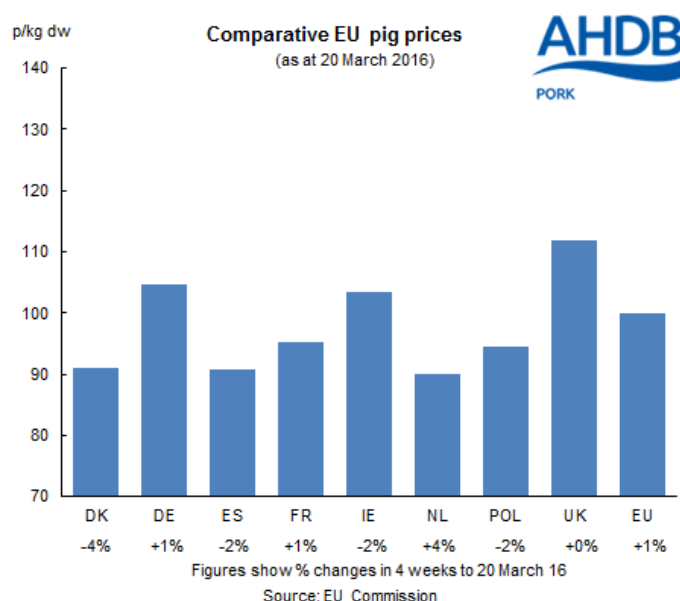
GB weaner prices followed the downward trend of the finished pig market in February. Unlike previous months however, 7kg weaners recorded a larger decline than 30kg store pigs, losing £1.25 from the previous month, to average £29.13 per head. 30kg store pig prices decreased by nearly £1 on the month

and averaged £36.62 per head in February. Furthermore, since the start of March the price for 30kg store pigs has remained relatively stable.

EU PRICES

Pig prices in the EU fell slightly during February, following a short period of stability, but began to recover as March progressed, with reports that demand is being stimulated in the run up to Easter, notably in Germany, due to low prices. The latest average pig price, for week ended 13 March, was €125.37 per 100kg, up by a euro on the previous week but over €3 down on early February. No price has yet been published for week ended 20 March following the terrorist attacks in Brussels. With prices at their lowest level for eleven years, EU producers remain under considerable financial pressure.

In sterling terms, the fall in EU pig prices has been softened slightly due to the weakening of the pound against the euro. The latest price equivalent is 97p/kg, which is above the level at the end of last year. The gap between the EU and UK price has risen slightly from two weeks before, to just over 15p/kg (week ending 13 March 2016). However, the difference prior to the rise was the lowest since October 2013.



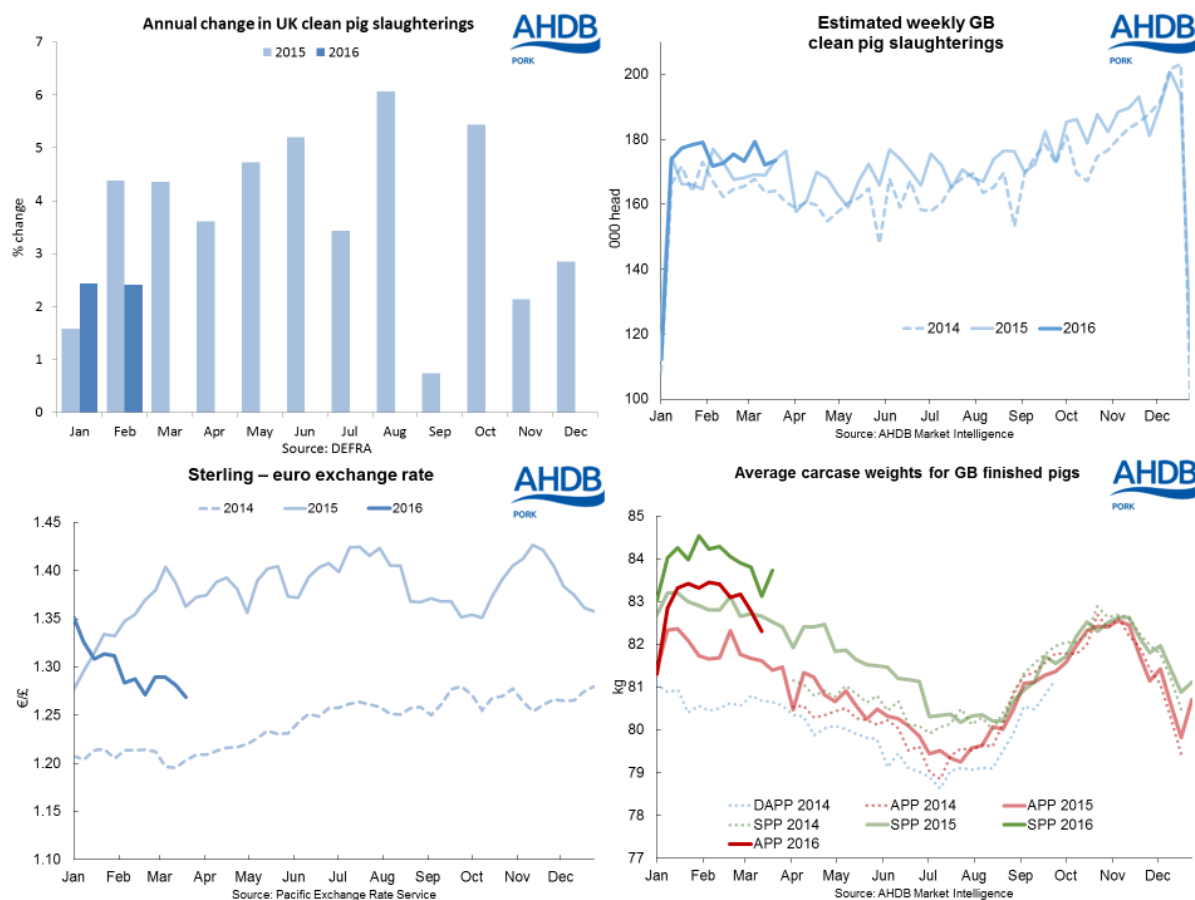
The fall in EU pig prices was largely driven by decreases seen in the German and Spanish prices, with the former recovering in the latest week. The Dutch and Belgian quotes also recorded small falls, while the Danish price was largely stable before dropping in week ended 13 March. Of the major pig producing member states, only France saw price increases across the period, albeit modest ones.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

Latest figures from Defra appear to show a 9% year-on-year rise in UK pork production in February. However, a change in methodology means that this growth is overstated and the increase was actually around 4%. Similarly, the apparent 8% uplift in clean pig slaughterings was in reality a rise of little over 2%, similar to the increase seen in January. The explanation is that, while historically data has always been published for 'statistical months' (based on either four or five full weeks), from now onwards they will be on a calendar month basis. That means the figures for February 2016 cover one more working day than February 2015 (due to the leap year). Similar adjustments will be required for future months, to account for the differing numbers of working days from year to year.

The adjusted figure for sow slaughterings shows another significant rise, of 12%, compared with February 2015. Weekly throughputs were at their highest level since November 2012. This adds further weight to

suggestions that some producers may be starting to reduce the size of their herds. As well as this, heavy carcass weights continue to contribute to the growth in pig meat production. The average clean pig weight of 83.3kg was half a kilo lower than in January but still represented the second heaviest weight on record.



UK exports of fresh and frozen pork increased by 17% in January to 16,900 tonnes, compared to the same period a year earlier. This was driven by a doubling in shipments to China. Interestingly, shipments to the US also more than doubled year on year taking its percentage share of UK trade from 2% to 4%. Australia, which in January 2014 took no product from the UK, bought in 170 tonnes of UK pig meat in January this year.

The value of UK pig meat also increased, by as much as 23% on the year in January, with exports for the month totalling £17.9 million, given an increase in the average export price. Although high, the average unit price that the US paid for UK pig meat actually decreased on the year by 4% to £2.94/kg; that for Australian increased by nearly 30% to £2.24/kg. Both are clearly higher valued markets, as the overall UK export price only averaged £1.06/kg.

Exports of offal more than doubled in January compared to a year earlier, continuing the strong export performance of recent months, with shipments now averaging 7,000 tonnes per month. Exports to China increased by 175% compared to a year earlier while trade with the Philippines was up over four times. Exports of bacon were down 6% on December but still well up on January last year. However, the apparent sharp rise in exports of sausages and processed pig meat needs to be treated with caution and the data may well be subject to revision.

Imports of fresh and frozen pork in January were not only slightly down compared with January 2015 but they were also at their lowest level since May last year. Lower prices exacerbated the year on year

volume fall in January, with reductions of 10 per cent in both sterling and euros and so contributed to the ongoing price pressure on UK producers.

Pork volumes were well up from Denmark, by 16%, but this contrasted with sharp reductions for the Netherlands and Germany. Imports of all other categories, with the exception of offal, were also lower. Bacon shipments were reduced by a 35% fall for Danish product.

FEED MARKET

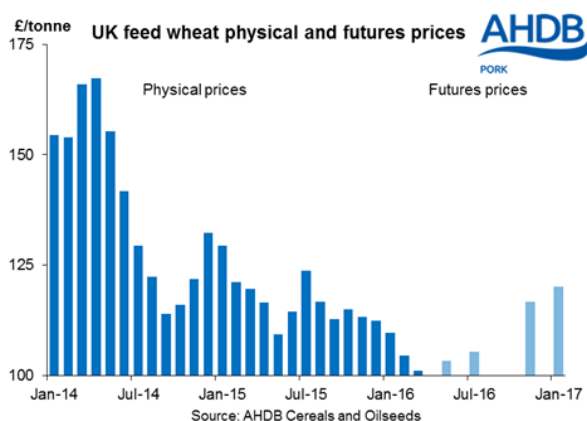
UK feed wheat futures have fallen slightly over the past month, with the May-16 contract closing at £104.75/t on 23 March, down from £105.50 a month before. However, prices are higher than the contract low of £101.25/t on 2 March. Chicago wheat futures (May-16) closed at \$170.12/t on 23 March, increasing by \$2.66 over the month. Maize futures followed a similar trend, with the May-16 contract also closing up on the month at \$145.07/t on 23 March, an increase of \$0.69. The rally was due to a combination of a weaker dollar, less than ideal weather in key wheat growing regions in the US and stronger maize export sales.

USDA reduced global ending stock estimates for wheat and maize in their WASDE report. However, despite the revisions, the stocks are still at record levels, signifying little change to global market fundamentals for both grains and oilseeds.

UK wheat exports in January totalled 310Kt according to HMRC trade data, the highest monthly level since December 2011. This brings season to date (from July) wheat exports up to 1.3Mt, 21% ahead of the pace to the same point last season. Exports have been helped by the weakening of sterling against the euro since the start of the year, resulting in UK wheat becoming relatively more competitive in euro-priced markets. However, given the size of this season's surplus available for export or free stock, the pace required needs to hit around 350Kt each month for the rest of the season to prevent any further increase to stocks ([see here](#)).

UK pig feed manufacturing in January was 2% behind the same point last year at 140Kt, according to Defra's usage data. However, season to date production has increased by 1%. Pig grower feed production increased in January by 3% year on year but starter, breeder and finisher feed production decreased, by 12%, 8% and 2% respectively.

The gap between ex-farm prices for feed wheat and feed barley has narrowed to £3.50/t as at the week ending 17 March. While feed barley prices have remained relatively stable over the past few months, feed wheat prices have been falling, which has narrowed the gap. The average feed wheat price for week ended 17 March was £99.80/t, the first time it has been reported below £100/t since 24 June 2010. The smaller premium could mean that wheat is more attractive to use as a feed ingredient than barley.



May-16 Chicago soyabean futures closed at \$332.63/t, up 4% on the month. May-16 Paris rapeseed futures also rose over the month. Global oilseed markets were supported by bullish news with regards to palm oil output, global soyabean stocks, export data and currency movements.

UK rapemeal prices (34%, ex-mill, Erith) were £158/t on 18 March, up £23 compared to 19 February. Brazilian soyameal (48%, ex-store, Liverpool) was £262/t on 11 March which is up £4 on the month. Although rapeseed and soyabean prices have risen in the last month, protein feed ingredient prices have generally been falling over the last two years.

Several experts speaking at a conference in Malaysia revealed downward projections for global palm oil output in 2016. If realised, this would be the first annual decline in 18 years and has been attributed to the impact of El Nino, which has reduced rainfall in key producers Indonesia and Malaysia.

USDA's WASDE report contained [a surprise 272Kt increase for US soyabean ending stocks](#), due to falling domestic soyameal demand. On a global basis, soyabean stocks were trimmed to a, still record, 79Mt because of higher estimates for crushing in Brazil, as well as more exports from Argentina.

Global soyabean production in 2015/16 is expected to match last year's bumper harvest of 321Mt, according to the latest report published by the International Grains Council on 25 February. Total global consumption of soyabeans is expected to increase by 4% on the year, driven by increased demand from the livestock, poultry and aquaculture sectors.

UK winter oilseed rape is ahead of the usual crop development pace according to the latest [ADAS Spring Arable Crop Report](#). The advanced crop development, which also applies to cereals crops, is due to this year's mild winter.

CONSUMPTION

The latest Kantar Worldpanel data shows that the consumer convenience category is maintaining its growth. The chilled main meal accompaniment market grew by 7% annually in volume (12 weeks ending 28 February 2016). Pork chilled accompaniments continued their strong growth (53% up in volume), accounting for just over 5% of the category.

Over the 12 week period ending 28 February, overall meat, poultry and bacon volumes continued their modest growth, increasing by 1%, although with average prices falling, total expenditure was down by 2%. Volume growth was largely driven by increased volumes of lamb and poultry. However, the volume of pork purchased continued to fall, with lower prices further driving value out of the market. Loin roasting joints and marinades were the only two categories to buck this trend. More encouragingly, in the latest 4 weeks (1-28 February), pork saw an increase in volume sales overall and particularly for all types of roasting joints, although the trend of lower average prices meant this growth continued to be at the expense of value.

Pork pies recorded an increase in the 12 weeks ending 28 February, as did sausage rolls, in both value and volume terms. However, bacon, sausages and sliced cooked meats all saw decreases in volumes and larger decreases in value, continuing the theme of value being driven out of the pig meat market.

Trends in retail meat purchases (period ended 28 February 2016)

	4 weeks 2016/15			12 weeks 2016/15			52 weeks 2016/15		
	Q	E	P	Q	E	P	Q	E	P
% change compared with a year earlier									
Fresh and Frozen Meat, Poultry and Bacon	+2	-1	-3	+1	-2	-3	+1	-2	-3
Pork	+3	-5	-8	-2	-7	-5	-4	-9	-5
<i>Belly</i>	-5	-5	+1	-5	-8	-3	-8	-8	-1
<i>Chops/Steaks</i>	-3	-9	-7	-1	-9	-8	-6	-11	-6
<i>Leg Roasting Joint</i>	+9	-13	-20	-10	-15	-5	-9	-20	-12
<i>Loin Roasting joint</i>	+19	+7	-10	+10	+1	-8	-3	-7	-5
<i>Shoulder Roasting joint</i>	+17	+11	-5	-4	-9	-5	-0	-6	-6
<i>Marinades</i>	+3	+16	+13	+16	+35	+17	+13	+16	+3
<i>Ribs</i>	-21	-10	+15	-15	-8	+8	-6	-4	+2
<i>Mince</i>	-7	-19	-13	-11	-18	-8	-5	-12	-8
Bacon	-3	-7	-5	-4	-8	-5	-2	-6	-4
Beef	-2	-0	+1	-2	-2	+0	-1	-1	+0
Lamb	+2	+1	-1	+3	+3	-0	+3	+1	-2
Poultry	+4	+2	-2	+3	+1	-2	+4	+0	-4
Processed products									
Pork Sausages	-4	-11	-7	-3	-8	-5	-2	-4	-2
Fresh Pre-packed Pork Pies	+14	+4	-9	+11	+6	-4	+3	+3	+0
Fresh Pre-packed Sausage Rolls	+4	+5	+1	+4	+2	-2	+5	+1	-4
Pork Sliced Cooked Meats	-3	-7	-4	-2	-6	-4	-1	-5	-4
Pork Chilled Ready Meals	+11	+8	-3	+3	+0	-2	+5	+3	-2

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

This pig meat sector UK market update was prepared by:

Stephen Howarth and Vikki Campbell

AHDB Market Intelligence

Phone: +44 (0)24 7647 8856/8741

e-mail: stephen.howarth@ahdb.org.uk, Vikki.Campbell@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](#).

© 2016 Agriculture and Horticulture Development Board. All rights reserved.