

In this Issue

UK Outlook

Domestic pig meat production growth is still expected to outstrip demand in the coming months. However, an improvement in the balance of trade, with lower imports and higher exports, could reduce the supply-demand imbalance. These are among the conclusions of the latest AHDB Pork forecasts for UK supplies. This could result in the pig market being more stable than in recent years and there is even the possibility that prices could rise at times. To read more about the factors behind these forecasts and what they could mean for the pig market, turn to **page 4**.

Long-term pig price trends

Everyone in the pig industry is well aware that pig prices are low at the moment. In fact, they are at their lowest level since early 2008. However, before that, prices had been at even lower levels for over a decade. So, can we expect another decade-long period of low prices or will they pick up as quickly as they have fallen? Of course, it is impossible to be sure about the answer to this question. However, we can look at the lessons of history to see what they might be able to tell us. You can read our analysis of the relationship between pig prices and the factors influencing them on **page 5**.

Global outlook

According to latest forecasts from USDA, global pork production is set to be slightly down in 2016, after levels were little changed in 2015. This would be the first meaningful decrease in global production since 2006. The driving factor is the continued drop in Chinese production. Despite the expected decrease in global production, USDA forecasts an increase in global trade levels. This may provide a glimmer of hope for global pork prices towards the end of 2016. However, the rate of growth is forecast to slow on the year before. On **pages 7 & 8** you can read more about the outlook for the global pork sector and some of the key countries involved.

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Key data

	Mar-16	Change since Feb-16	Change since Mar-15
Average GB carcase weight - kg	82.51	-0.77	+0.97
30kg weaner price - £/head	36.73	+0.11	-8.14
7kg weaner price - £/head	28.50	-0.63	-4.48
GB APP (Euro-spec) - p/kg dw	115.98	-0.68	-20.56
GB SPP (Euro-spec) - p/kg dw	112.33	-0.37	-20.32
EU Reference price - €/100kg dw	127.29	-0.37	-13.84
UK Reference price - €/100kg dw	143.22	-1.09	-37.62
UK weekly clean pig kill - 000 head	209.1	+0.5	+6.1
UK weekly pig meat production - 000 tonnes	18.1	-0.0	+0.8
UK pork imports - 000 tonnes*	28.6	+0.2	+0.2
UK bacon imports - 000 tonnes*	19.4	+1.3	-0.9
UK pork exports - 000 tonnes*	17.8	+0.9	+2.4
Retail pig meat sales - 000 tonnes†	53.8	+0.0	+0.6
LIFFE feed wheat futures - £/tonne	101.92	-2.56	-17.78
CBOT Soyameal futures - \$/tonne	268.69	+4.37	-62.85

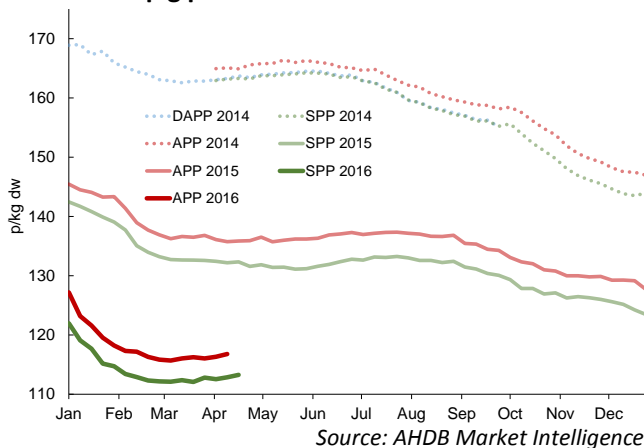
* Figures relate to February 2016
 † Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 27 Mar 2016

Interested in data? Get more detail about these and other areas from the [AHDB Pork website](http://www.ahdb.org.uk)
 We are now on Twitter. For regular updates about the UK pig market and related publications, follow us @HowarthStephen

UK Market Snapshot

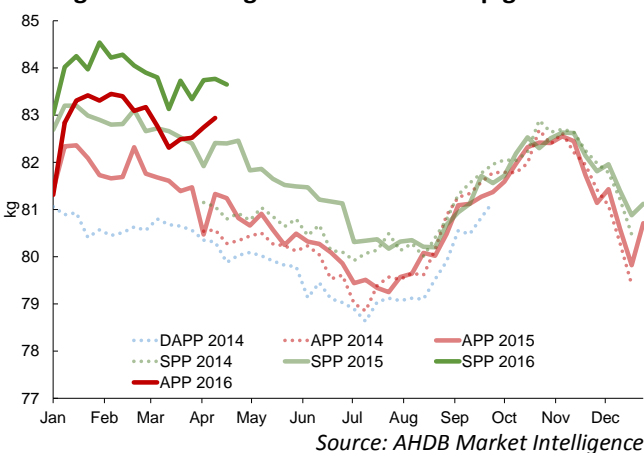
In March, GB pig prices recorded a marginal decline month on month, with the monthly average EU-spec APP less than 1p behind February at 115.98p/kg. Despite the overall decrease on the month, the price did increase for two consecutive weeks, before falling once again in response to reduced demand caused by the Easter break. The first two weeks of April have shown promising signs, as the APP has recorded two more weeks of increases, with prices residing at 116.78p/kg, as at week ended 9 March. We now have two full processing weeks before the next Bank Holiday, suggesting that demand should remain relatively stable.

GB finished pig prices



The SPP followed a similar trend to the APP in March, but fell by a lesser amount (-0.37p) month on month, standing at 112.33p/kg. The gap between the APP and SPP remained under the 4p threshold for a second month in a row in March and narrowed further, as the SPP fell at a slightly lesser rate, with the gap residing at 3.65p/kg.

Average carcass weights for GB finished pigs

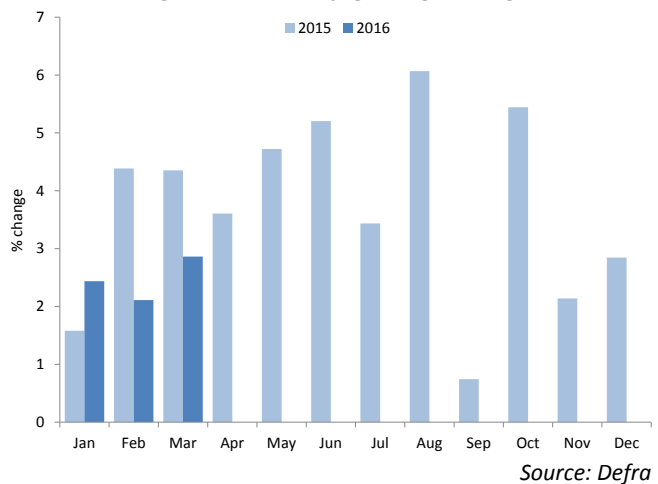


In March, the average monthly carcass weight decreased for the first time this year, with the APP sample averaging 82.51kg for the month. The decrease in weight could indicate that abattoirs have stopped rolling so many pigs over week on week, suggesting that supply is balancing out with demand somewhat. However, weights remained around a kilo heavier than in the same month last year.

The GB weaner market generally followed a similar trend to the finished pig market in March. Diverging price trends were recorded between the two weaner categories. 7kg weaners recorded a decline of 63p month on month, averaging £28.50 per head in March. Nevertheless, 30kg store pig prices recorded a modest increase on the month, of 11p, averaging £36.73 per head.

UK pig meat production remained strong in March, with 79,800 tonnes output during the month, according to latest figures from Defra. This equated to an increase of around 5% compared with March 2015, once changes to reporting periods are taken into account. A combination of factors contributed to this increase. Clean pig slaughterings were up by 3%, at 920,000 head, despite Easter falling in March this year. This is in line with expectations, given the slight increase in the breeding herd during 2015 and further productivity gains. As well as the larger number of clean pigs processed, they were heavier than in March 2015. The average carcass weight of 83.1kg was well over a kilo higher than a year before, although lower than the two previous months.

Annual change in UK clean pig slaughterings



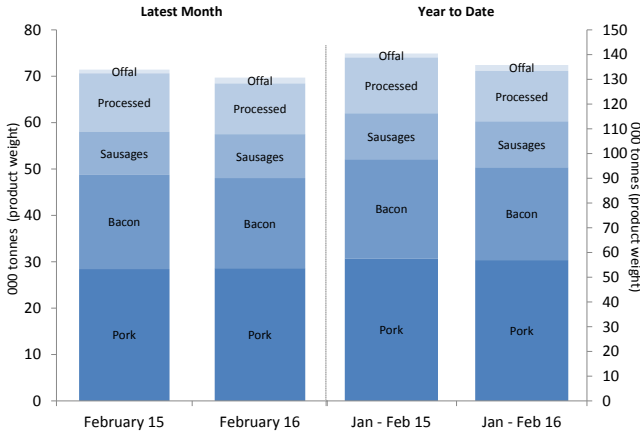
In March, the difficult financial position of producers meant that sow slaughterings remained inflated. Throughputs during the month totalled 23,400 head, around 10% (or 2,200 head) more than the adjusted figure for last March. So far this year, around 7,500 more sows have been slaughtered than in the first three months of 2015. While the rate of culling was lower than usual last year, this might indicate some contraction of the breeding herd is underway, particularly if the increase is sustained.

Imports of fresh and frozen pork in February increased slightly (+1%), compared to a year earlier. The overall increase was driven by rises in shipments from Denmark, Spain, France and Poland, outweighing declines from Germany and the Netherlands. Overall pig meat imports were lower, however, as less bacon

UK Market Snapshot

and ham was imported. Unit prices for imported pig meat remained down on a year earlier, although by just 3%, so the total value of imports was 5% lower at £146.5 million.

UK pig meat imports

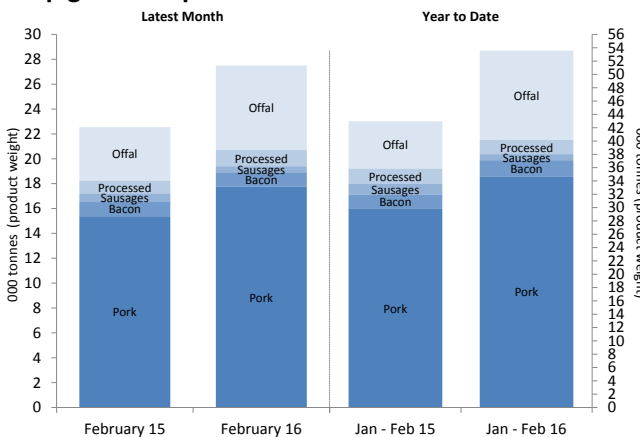


Source: Her Majesty's Revenue & Customs

UK exports of fresh and frozen pork increased once again in February, to 17,800 tonnes. This is a 16% increase on the same point last year. The growth was driven by a rise in shipments to Germany (+50%, partly on the back of increased sow slaughterings), China (+24%) and Ireland (+11%). Shipments to the US kept up the pace seen in January, with 700 tonnes of pork exported in February, more than double the amount recorded last year. Another high value market, Australia, received 230 tonnes, nearly ten times as much as a year earlier.

The value of UK exports also increased on the year by as much as 25%, with exports for February totalling £18.4 million. The overall increase in export value was helped by a rise in the average unit price of 8% year on year. In particular, the price that China paid for UK pig meat increased by 18% February to February, perhaps reflecting the inclusion of more higher-value cuts in the mix.

UK pig meat exports



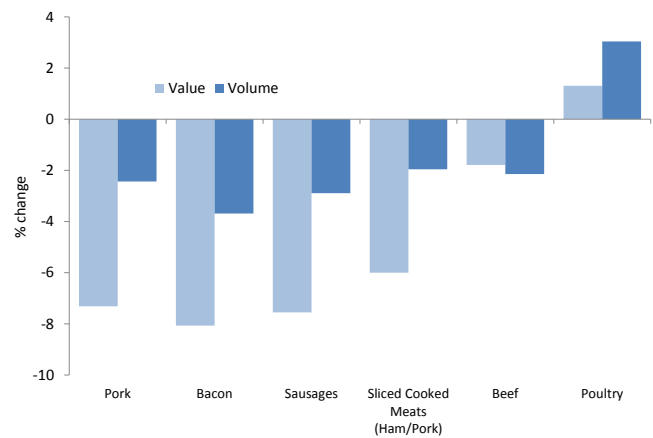
Source: Her Majesty's Revenue & Customs

Exports of offal increased by over half in February, compared to a year earlier, to 6,800 tonnes. There were strong sales to a variety of markets, in both Asia

and the EU. In January, a sharp rise in exports of sausages and processed pig meat was recorded. However, as expected, these figures have been revised and year to date exports are now down on a year earlier for both categories.

In the four weeks to 28 February 2016, volume sales of fresh/frozen pork increased by 3% on the same period a year earlier, according to data from Kantar Worldpanel. Nevertheless, taking a longer-term perspective, the amount of pork sold in the 12 weeks ending 28 February was still 2% lower than a year before.

Annual percentage change in retail meat purchases (12 weeks to 28 February 2016)



Source: Kantar Worldpanel

Pork roasting joints saw a significant increase in volume sales in the four weeks to 28 February, with loin and shoulder joints up by 19% and 17% respectively, on a year earlier. This time period would capture the start of the latest AHDB Pulled Pork campaign, so there is an inference that this may have had a positive impact on sales of shoulder roasting joints and could have helped other roasting joints too. More detailed analysis of the impact of the Pulled Pork campaign will be available in due course.

Bacon, sausages and sliced cooked meats all recorded volume sale decreases in both the 12-week and 4-week periods to 28 February. Prices paid for all pork products, with the exception of belly, ribs and marinades, were cheaper than a year before during the latest period, reflecting the deflationary price experienced in the pork market.

Having fallen markedly over recent months, the share of the retail pork price received by producers was fractionally higher in March. Both farmgate and retail prices were about 1% lower in March than in February but the fall for the latter was marginally the larger. The net result was that producers' share was just over 30%, still among the lowest percentages on record. This is five points lower than in March 2015 and 11 points down on two years before.

UK Market Analysis

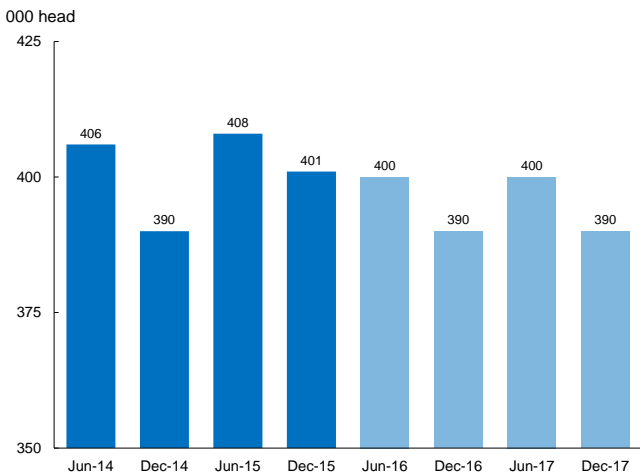
Improved trade balance set to reduce UK supplies

Domestic pig meat production growth is still expected to outstrip demand in the coming months. However, an improvement in the balance of trade, with lower imports and higher exports, could reduce the supply-demand imbalance. These are among the conclusions of the latest AHDB Pork forecasts for UK supplies, published today. This could result in the pig market being more stable than in recent years and there is even the possibility that prices could rise at times.

The UK's pig meat production has risen for six consecutive years and this is expected to increase to seven straight years in 2016. There was a, somewhat unexpected, rise in the breeding herd recorded in the December survey. The increase was mainly in the Scottish and Northern Irish herds, with only a small increase in England. Since then, pig prices have fallen sharply, which has led to some reports of producers deciding to quit the industry. Others may have made the decision to reduce sow numbers.

Despite this, sow slaughterings have only increased slightly so far. They are still well below the levels of late 2012, the last time the herd fell significantly. Therefore, only a modest drop in the UK herd is expected in the short term. If pig prices fall further or feed prices rise, a more substantial herd reduction is possible. If not, any decline may remain modest, given that those producers left in the industry have survived even tougher times.

Actual and forecast UK pig breeding herd



Source: Defra (Actual), AHDB Market Intelligence (Forecasts)

With a rise in the breeding herd last year and only a modest fall expected for this year, the number of pigs being slaughtered is forecast to remain above year earlier levels throughout 2016. This may reverse in 2017, although by how much will depend on herd developments from now on. These trends are based on the assumption that the long-standing upward trend in sow productivity will continue.

As well as higher slaughterings (of clean pigs and sows), heavier carcass weights have been contributing to increased pig meat production this year. This trend is

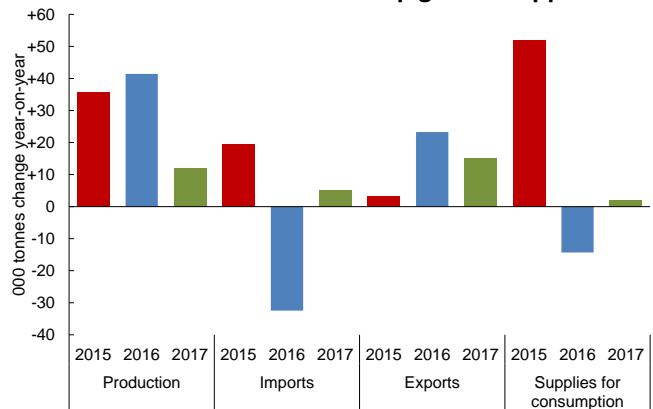
expected to continue, with producers seeking to add weight to partially compensate for the low prices. This equation may change if feed prices rise, making it less economic to chase weight.

With domestic production set to continue rising at a similar rate to recent years and consumer demand still subdued, the UK market could remain under pressure. However, supply levels are also affected by the balance of trade. Last year, the strong pound and weak EU market meant that UK pig prices remained well above those on the continent. This meant a small rise in imports, although it could have been much worse in the circumstances, and constrained exports.

This year, prospects for international trade look better. In large part, this is because of the weakening of the pound against both the euro and the US dollar. The gap between UK and EU prices has narrowed significantly and now stands at around 10p/kg, more in line with historic norms. This reduces the price incentive for buyers to source imported pork, potentially raising demand for domestic pigs. Furthermore, reductions in the EU pig herd mean that production is expected to fall in the second half of the year. This could reduce the availability of supplies for export to the UK. Overall, therefore, imports are expected to be lower than last year, in line with the trend seen in January and February.

Exports have started 2016 strongly. As well as the improved exchange rate, this is being driven by the strength of the Chinese market. Demand for EU pork in China is very strong and UK exporters are benefitting from this. Reports suggest that any recovery in Chinese production will be slow, so import demand will remain strong for the rest of this year and probably beyond. This should mean that exports perform much better in 2016 than in 2015.

Actual and forecast trends in UK pig meat supplies



Sources: Defra, HMRC, AHDB Market Intelligence

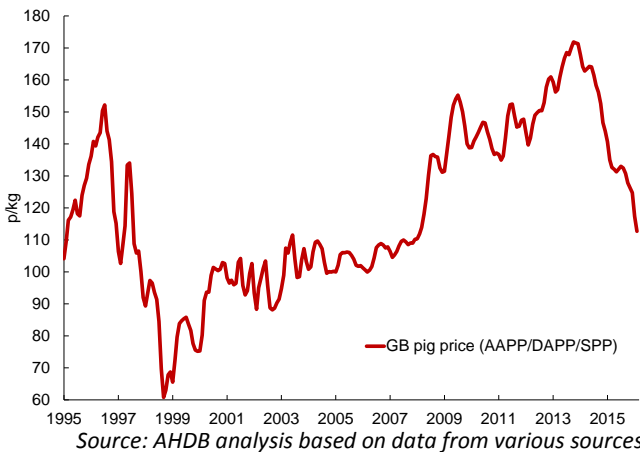
These lower imports and higher exports are now forecast to offset the rise in production, leaving supplies on the domestic market little changed from last year. If anything, they may even be slightly lower. This could mean that, even if consumer demand remains subdued, the pig market will be firmer than in the last two years. There is even the prospect that prices may strengthen at times.

UK Market Analysis

Future pig prices – what does the past tell us?

Everyone in the pig industry is well aware that pig prices are low at the moment. In fact, they are at their lowest level since early 2008. However, before that, prices had been at even lower levels for over a decade. Between August 1997 and December 2007, the monthly average pig price was only once above 110p/kg and was frequently below £1/kg.

GB pig price time series



So, can we expect another decade-long period of low prices or will they pick up as quickly as they have fallen? Of course, it is impossible to be sure about the answer to this question. However, we can look at the lessons of history to see what they might be able to tell us.

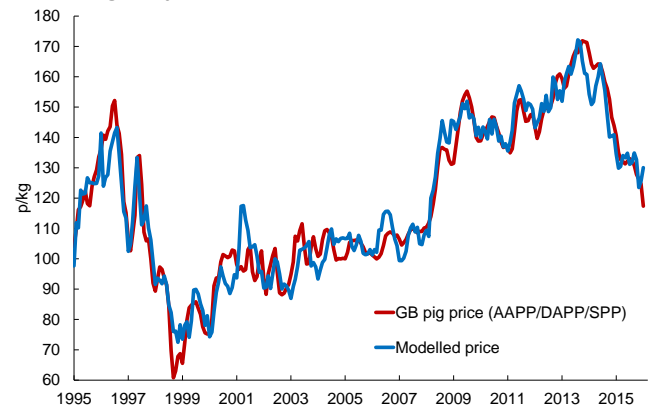
We have modelled the relationship between pig prices and various other factors. Our analysis covers the time period from 1995 onwards, which includes periods of high and low prices, of relative stability and of extreme volatility. The factors modelled include:

- Exchange rates of the pound against the euro & dollar
- Consumer Price Index
- UK and EU pig meat production and change on year
- UK imports and exports of pig meat
- Crude oil price
- Global food prices and cereals prices
- Seasonality factor
- EU pig prices
- Unit price for imported pork

While these factors are thought to cover most of the main influences on the UK pig market, there is no consumer demand indicator. This is due to the lack of a consistent long-term monthly data series covering demand for pork.

Modelling price based on these factors allows us to explain well over 90% of the historic variation in GB pig prices. While there are some short-term deviations, there are few periods when the actual price was significantly different to the modelled one, as illustrated in the following chart.

Actual GB pig prices compared with prices modelled including EU price factors



Using historical data of this kind to predict future prices relies on the assumption that historic relationships between factors will continue to hold true. While, this may be the case, there could be new issues which will influence how the modelled factors and pig prices relate to one another.

Taking all this into account, what does the model tell us about current and future pig prices? First, it shows that the pig price decline over the last two years can largely be explained by the factors analysed. However, based on the model, the pig price should have increased in January, when in reality it fell again, so it was too low according to the model. Current indications are that the modelled price should have increased further in February, although some of the model variables are not yet available for that month. The main reasons for the model moving in this way are the weaker pound and the firmer EU price (in sterling terms).

History suggests short-term deviations from the model do happen but typically correct themselves fairly quickly. If that is the case again, we might see some price recovery in the months ahead. However, this relies on there being no factors missing from the model which might impact on prices.

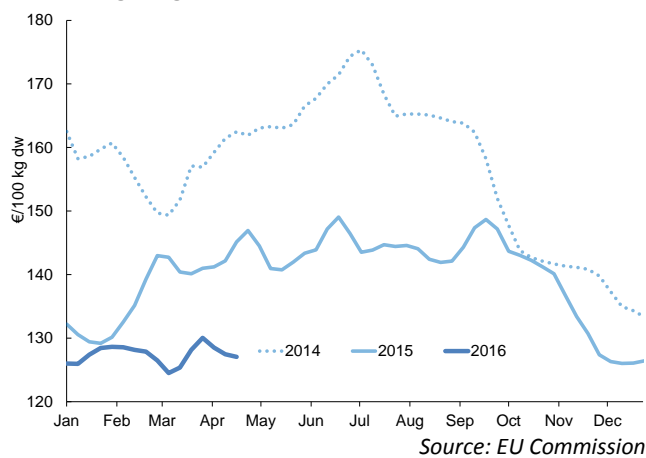
There are instances in the past, for instance during the 2001 FMD outbreak and around the 1996 BSE scare, when the model has temporarily broken down. While there are clearly no disease issues of this kind at the moment, things such as the apparent reduction in consumer demand for fresh pork, the Russian import ban and the WHO/IARC report, could be contributing to the current lower than expected prices.

If these extra factors are having an influence, it may fade, potentially allowing prices to recover. Beyond that, price developments will depend on how the factors influencing prices change. The key uncertainties are the pound-euro exchange rate and EU pig prices, as other major factors are more predictable. Political issues such as the result of the EU referendum and the length of the Russian ban will affect them, among other things. Therefore, there remains some uncertainty about the future level of pig prices.

EU Market Snapshot

EU pig prices have fluctuated between €125 and €130 per 100kg for most of this year so far. There was an improvement in prices recorded in the build up to the Easter holidays as demand was reportedly strong. However, since then a combination of the short weeks over the holiday period and subdued demand on the EU market means that prices have eased back again. Having reached their highest point for the year to date at the end of March, at a fraction over €130 per 100kg, the average price had dropped back to €127.05 by week ended 17 April. It is worth remembering that some of the pig meat stored during the PSA scheme in January will soon be released back onto the market, which could add further pressure to prices.

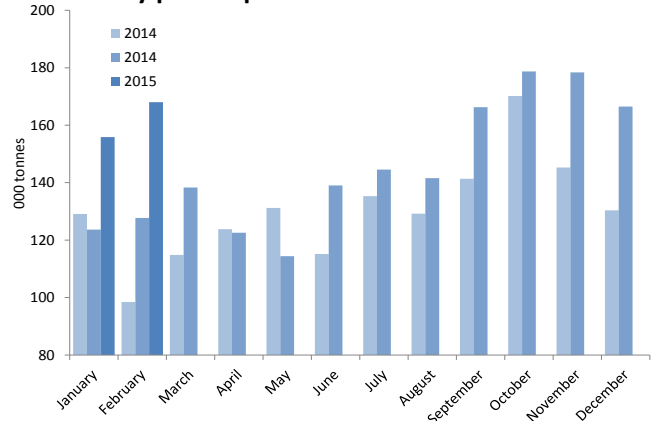
EU Average Pig Reference Price



Prices on the key German and Spanish markets have followed similar trends to the EU average, rising during March but dropping back in April. The same is true of many neighbouring countries. Prices have been firmer in Denmark, where a rise at the end of March has been sustained, and France, where prices have been relatively stable. Despite the overall stability in euro terms, the weakening pound means that EU prices have been rising in sterling terms and the gap between UK and EU prices has fallen to around 10p/kg in recent weeks, more in line with historic norms.

EU exports continued their strong performance in February, with pork shipments up almost a third on a year earlier, to 168,000 tonnes. South Korea was the only major Far East market to show a fall in volumes (-23%), when compared with February 2015. This was mitigated by substantial increases in shipments to China (+107%), Japan (+28%) and Hong Kong (+51%) over the same period. However, export volume increases have been slightly at the expense of value, with overall unit prices falling 6%. Having said that, the value of shipments was still up 23% on the same period a year earlier, to €361 million. The strong pig price in China has had a positive effect on the value of European exports as they can remain competitive against the domestic product, while the average unit price increased 8% on February 2015.

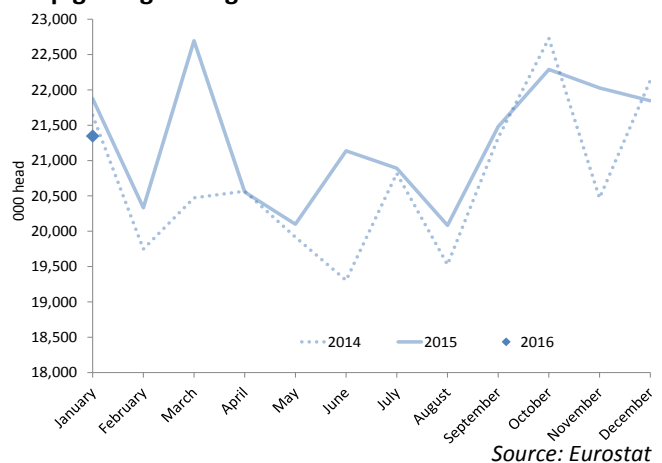
EU monthly pork exports



Offal shipments also increased significantly in February 2016 versus February 2015, with strong growth to all the Far East markets. Although smaller in volume, Vietnam has emerged from a very small importer in 2015, to levels of 3,800 tonnes in 2016 – a near quadrupling on a year earlier. This may well be an opportunity for UK exporters going forwards, so it will be prudent to watch how this market develops.

EU pig meat production was down just over 1% year on year in January, at 1.96 million tonnes. However, with one working day fewer this year, that is equivalent to a growth of around 4% on a per working day basis. This supports forecasts that supplies would remain up on year earlier levels in early 2016. Similarly, pig slaughtering was down 2% on January 2015, at 21.35 million head, but this was effectively an increase in supplies of over 2%.

EU pig slaughtering trends



Most leading producers recorded lower output in January 2016 than a year earlier, with Germany producing 5% less, France down 1% and the Netherlands down 2%. However, as was the case for much of last year, Spain bucked the general trend, with its output up 2%, despite the shorter working month.

Early figures for February from some Member States indicate a 3% rise in production but this represents something of a tightening of supplies, given the extra day this February due to the leap year.

Global Market Analysis

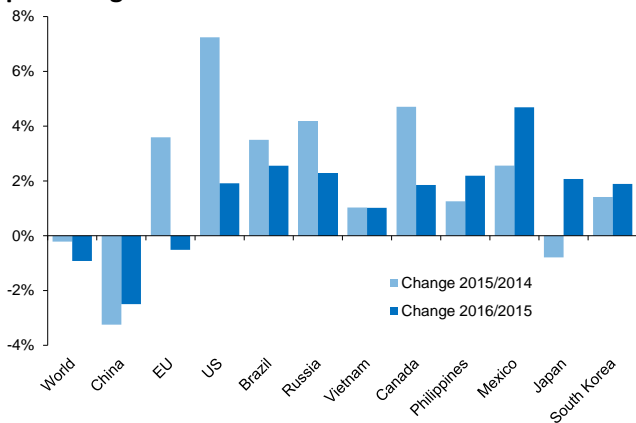
Global production forecast to be down slightly in 2016

According to latest forecasts, global pork production is set to be slightly down in 2016, after levels were little changed in 2015. Global trade is forecast to increase in 2016, although at slower rates than those recorded the year earlier.

In its latest global outlook report, the US Department of Agriculture (USDA) forecasts that pig meat output from the major producing countries will decrease by 1% in 2016, to 109 million tonnes. This would be the first meaningful decrease in global production since 2006. The driving factor is the continued drop in Chinese production, although this is forecast to be less severe than the decline experienced in 2015.

USDA also expects that the EU will record an overall decrease in production in 2016, although EU Commission forecasts do not see this happening until the end of the year, with production levels still increasing in the first half of 2016. While all the other major producing countries are forecast to increase production again in 2016, the majority are doing this at a slower rate than the year before, with Mexico, Japan and the Philippines the notable exceptions.

Year-on-year change in pork production in major producing countries



Source: USDA

The continued contraction of the Chinese breeding herd has led to a reduction in production. However, better genetics imported into the Chinese herd have increased the number of piglets per sow, so production declines are not at the same rate as herd size. Chinese production looks set to be muted throughout 2016, despite the increasing pig prices, due to several factors. Pig production in coastal provinces, where land is more expensive, will be under pressure to close, as local government seeks a more profitable use for the land. Environmental legislation also assists local governments in being able to close producers or move them to other regions, particularly where they are located close to population centres.

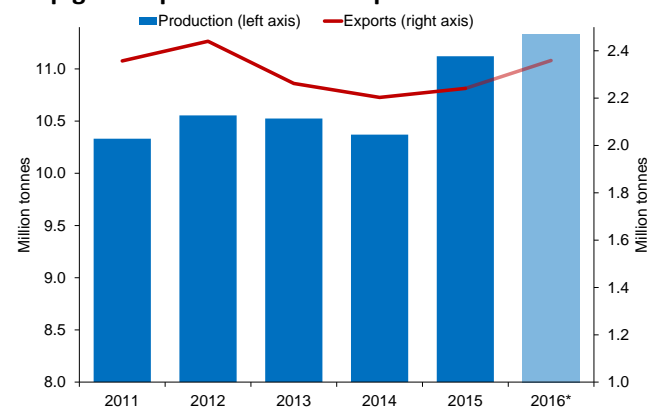
The slowing Chinese economy has had an impact on the domestic consumption of pork and it is forecast to

decline again in 2016, impacted by continuing high prices. However, it remains the traditional meat in the Chinese diet and looks set to be so for the foreseeable future. On the face of it, high pig prices and decreasing feed prices would look likely to attract producers to increase production. However, many pig producers, particularly the smaller ones, do not have access to capital to expand their herds and take advantage of these market dynamics.

The increase in EU production in 2015 is forecast by USDA to be slightly reversed in 2016. The breeding herd in most EU countries was reduced, according to the December census, which will have a tightening effect on supplies going forward. However, the Spanish herd is continuing to grow, which may mitigate the impact of tightened supplies from other major EU producers. EU forecasts state that production levels will not start to fall back until the second half of the year, and the EU market will remain well supplied throughout 2016. Further insight into the EU outlook can be [found here](#).

US pig meat production is forecast to reach record levels in 2016, at 11.3 million tonnes, according to the latest data from USDA. The updated estimate is 2% ahead of 2015 volumes, which was already a bumper year. If the 2016 forecast is realised, US production would account for over 10% of global pig meat production. However, production looks set to increase at a slower rate than last year, when producers capitalised on inflated prices following the PEDv epidemic in 2014. A decrease in the cost of production is helping to incentivise producers to increase production.

US pig meat production and exports



Source: USDA

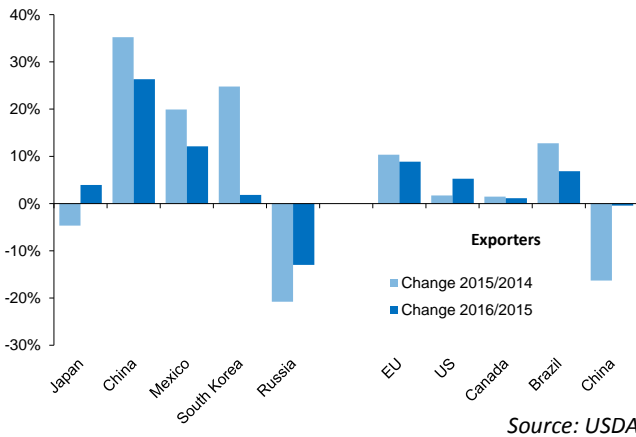
Brazilian production is forecast to continue increasing in 2016, although at a slightly reduced rate from the year before. The Brazilian pig sector has been under pressure in recent months, with the need to increase exports vital to the profitability of the industry. Falling domestic demand, at the same time as increasing production, has created a surplus, which needs to be liquidated on the export market. Previous investment in pig production is resulting in increasing levels of production, up almost 5% in early 2016, and contributing to lower pig prices.

Global Market Analysis

At the same time, production costs are increasing sharply, as the devaluation of the real results in increasing export demand for Brazilian maize and soya, the main feed sources for the pig sector. This has resulted in rising feed prices in the domestic market. This increase in feed costs has muted the forecasted increase in production levels for 2016, although there is still a level of optimism amongst producers, mostly due to high export levels.

Despite an expected decrease in global production in 2016, USDA forecasts an increase in global trade levels. However, the rate of growth is forecast to slow on the year before. This is largely because 2015 was an exceptional year for imports to the Far East and, while these countries are key markets to the major exporters, growth in exports may not sustain the same rate as previously.

Year-on-year change in pork trade in selected countries



Chinese imports are forecast to be 26% up on 2015 and imports from the EU account for an 80% market share. Imports from the US are restricted by China's zero tolerance policy towards Ractopamine. However, towards the end of 2015, China relisted 16 US processing plants involved in a Ractopamine-free programme and these plants are now eligible to export to China. Imported meat predominantly goes into the food processing industry and two inland ports have recently been established that are able to import meat directly. These will provide more direct access to China's interior, and potentially reduce costs, compared with coastal facilities.

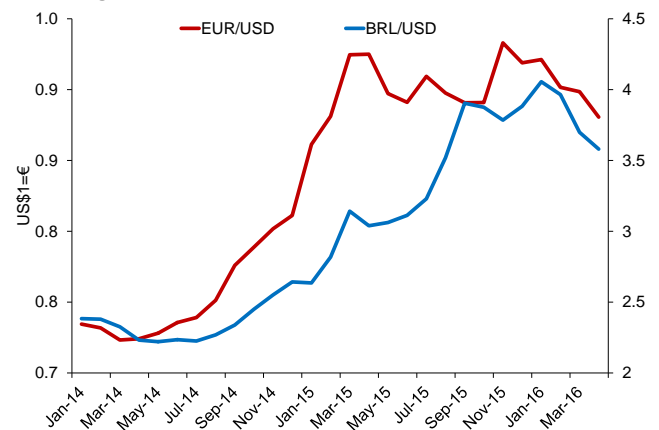
Imports to Russia are forecast to fall again in 2016, although at a lower rate as actual volumes are well down on pre-2014 ban levels. Brazilian imports to Russia are set to increase slightly but, despite calls for the EU to restart negotiations with the Russian Federation to lift the trade embargo, this has yet to commence. Even if the import ban is lifted, it looks dubious that Russian import levels will return to pre-2014 levels, as Russia has invested heavily within its agricultural industry in a move towards self-sufficiency.

The EU and US are the leading pork exporters, together

accounting for nearly two thirds of the world's pork trade. In 2015, the EU overtook the US as the world's leading exporter and is forecast to retain this position in 2016. The euro remains relatively weak against the US dollar, providing a challenge for US exporters competing against the EU. However, the strong demand from key markets will still facilitate a growth in export volumes from the US.

The euro has, however, lost ground against the Brazilian real, which is crucial as Brazil now has direct access to the lucrative Chinese market. The real has devalued by 38% over the past twelve months. As previously stated, export markets are vital to the profitability of the Brazilian pig industry and negotiators have been working hard to develop new markets and increase volumes to established export destinations. One example of this is South Korea, which has opened its market to Brazilian pork after ten years of negotiation.

Exchange rates: US dollar v Euro & Brazilian real



Since the turn of the year, the US dollar has started to weaken against both the euro and the real. This will help to make US pork exports more competitive on the global market, if it's sustained.

With a fall in global production, coupled with an increase in international trade, there may be a glimmer of hope for global pork prices towards the end of 2016. They fell steadily from October 2014 and global export prices averaged \$2.38 per kg in December 2015, nearly 20% lower than a year earlier. Since then, the EU price has stabilised and going forward this may provide some support to global prices.

In summary, 2016 looks set to be another challenging year for the major exporters in the global pig industry. Production is still largely increasing in these countries and, while exports can provide an outlet for oversupply, these levels are not growing at the same rate as 2015. This may cause the global price to remain under pressure, although this may ease slightly towards the end of the year as decreases in production levels are realised.

Feed Market

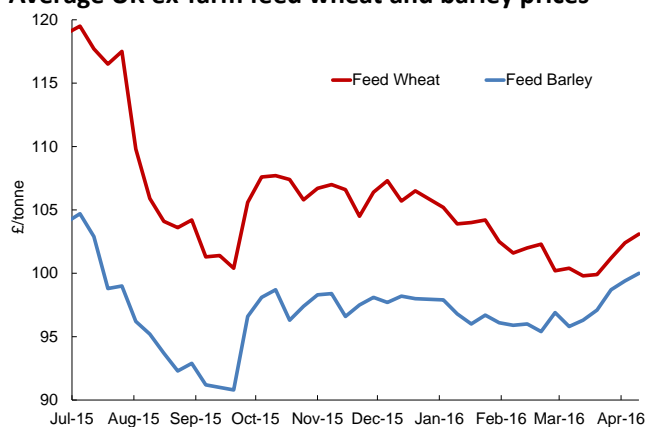
UK wheat futures (May-16) rose over the last month, increasing by £0.90 to close at £105.50/t on Friday 22 April. Gains were particularly seen in the last week, with UK wheat futures increasing to a high of £107.50/t on 21 April. Over the month Chicago wheat futures (May-16) also increased slightly, to close at \$171.50/t last Friday, after reaching a peak of \$185.28 on 20 April. Chicago maize futures (May-16) saw a similar trend with prices increasing by \$0.69 over the month to settle at \$146.35/t on Friday 22 April, with the highest price of \$155.41 reached on 20 April. However, Paris wheat futures (May-16) closed down on the month to settle at €150.50/t on Friday, a decrease of €5.25.

In recent weeks US grains markets have been supported by concerns about the potential impact of dry weather in Brazil on the second maize crop and buying by speculative traders. However, gains were not seen to the same extent in European markets largely due to currency movements.

In its latest world supply and demand report, the USDA increased its forecasts for global end of season stocks for both wheat and maize, as well as soyabeans. Higher output has more than offset the higher demand for maize, including for animal feed. Demand for wheat was revised down, driven by a reduction in animal feed usage from China, the US and Brazil, resulting in higher stocks. On an EU basis, the latest USDA report included higher expected feed use for wheat, at the expense of maize. Attention will now be on the May report, where the first new crop forecasts will be given.

Barley inclusions in GB animal feed production in February increased by 13% compared to a year earlier, according to data published by Defra. This takes season to date (July-February) barley usage to 704Kt, 2% up on the same point last season. At the same time, wheat usage decreased in February by 1% year on year, taking season to date usage to 2.9Mt, 0.3% behind last season.

Average UK ex-farm feed wheat and barley prices



Source: AHDB Cereals & Oilseeds

The increase in barley usage likely reflects the wider gap between the prices of the two grains compared to a year ago. As at the start of February 2015, the gap between feed wheat and feed barley was at £2/t

compared to £6.40/t this February. Anecdotally, if the gap between the two feed ingredients becomes £5/t or under, it would be expected that more feed wheat would be used at the expense of barley. With that said, by week ended 14 March the gap had decreased to £3.10/t.

Chicago soyabean futures (May-16) closed at \$362.66/t on Friday 22 April, an increase of \$28.20/t over the month. Similarly to grains, prices rose even further around 20 and 21 April with Chicago soyabean futures settling at \$374.33/t on 21 April, \$42.90/t higher than 21 March. Paris rapeseed futures (Nov-16) also increased by €7.50 over the month to close at €367.25/t last Friday. UK rapemeal prices (34%, ex-mill, Erith) were £162/t on 15 April for May delivery, which is up £8 from 18 March.

Chicago soyabean futures (May-16)



Source: AHDB Cereals & Oilseeds

These gains has been driven chiefly by fears over wet Argentine weather during the soyabean harvest. At least 800Kha of soyabeans in Argentina is estimated to be at risk of being left unharvested due to flooding but this could be higher if rains continue. On Friday, Oil World suggested this could put up to 3Mt of production at risk (of a forecast 59.5Mt crop).

Speculative buying also helped boost soyabean markets. As at Tuesday 12 April, the funds (traders in futures markets described as 'managed money') held their largest net long on Chicago soyabean futures in nearly 9 months. At the same time, they held a near-record short position on Chicago wheat futures, at least over the last 13 years. A net long indicates that the funds hold more contracts bought than sold, suggesting a bullish view on the market, while a net short suggests the opposite view.

In February, rapemeal inclusions in GB compound animal feed decreased by 10% compared to a year earlier, while soyameal usage increased by 11% (Defra). Furthermore, season to date (July-February) rapemeal usage decreased by 14% compared to last season, whereas soyameal inclusions have increased by 13% over the same time.

In Brief

EU pig meat consumption rises in 2015

The average person in the EU consumed 40.9kg of pig meat in 2015, the largest amount since 2011. The increase comes as rising EU production was only partly offset by higher exports. Despite the overall increase, the latest figures show stagnant or declining consumption in many of the Member States in the North and West of Europe. However, more pork was eaten last year in most southern and eastern Member States. In the UK, consumption increased slightly to 24.5kg/head. These figures are calculated as the balance of production, imports and exports and contrast with figures showing declining retail pork sales in most major markets. This suggests more pig meat is being consumed in foodservice or as processed products.

US pig herd remains stable

As at 1 March, the US pig herd totalled 67.6 million head, a modest increase on the same point last year, according to the USDA. For the winter quarter, the total pig crop recorded a very slight decrease on the year before. The number of pigs weaned per litter increased 1% but this was offset by a 1% fall in the number of sows farrowed. The breeding herd was virtually static compared to last year but the number of sows intended for farrowing in the next two quarters is set to decrease year on year. This suggests that US production towards the end of 2016 and into 2017 could reduce.

EU live pig trade reduced in 2015

Following the introduction of new Country of Origin Labelling rules in April 2015, there was a concern that the trade in live pigs between EU countries could be reduced. Indeed, it would seem that it has had an effect, with the Dutch and Danes exporting fewer pigs to Germany in 2015. Overall, the volume of live pigs Denmark exported still increased by 7%, bolstered by increases in volumes to Poland and Italy on the year. Germany also exports both weaners and slaughter pigs and the latter trade was down sharply last year, perhaps affected by COOL.

Poland increases role in trade within EU

Analysis of trade figures shows little change in the volume of pork traded between the 28 EU Member States in 2015. Export figures show a 4% rise in the amount traded, in line with the rise in production during the year, but import figures show a small fall. Almost 90%

of shipments came from the seven largest exporters. One country which increased in prominence within the EU trade over the last year is Poland. Its imports were up 9%, while exports to other Member States rose by 18%, moving it ahead of France in the export league table. In part, this is because of the loss of non-EU export markets following the ASF outbreaks in the country, meaning it has had to find markets within Europe.

Little sign of Chinese market slowdown

Latest reports from China suggest pig prices remain high and there is little sign of demand for imported pork slowing down. Over the last couple of months, wholesale pork prices have fluctuated around 25 yuan/kg (£2.70/kg) and, if anything, have been increasing further in the latest weeks. This translates into a liveweight pig price of around £2/kg, almost 50% higher than a year ago. Latest figures suggest that Chinese sow numbers continue to fall, as many small farmers have stopped production and are reluctant to restart, while tougher environmental regulations are also having an impact.

Sterling hits near 18-month low against the euro

Earlier this month, the pound hit its lowest level against the euro since November 2014 at £1=€1.25, adding further to losses made since the start of the year. The fall in sterling is partly in response to the period of uncertainty faced by business and financial markets between now and the EU referendum on 23 June. In addition, the pound also hit a seven year low against the US dollar on 29 February. The weaker pound will make UK pig meat more competitive in euro or dollar-priced markets. Combined with the falling UK pig price and more stable EU market, it means that the difference between the EU and UK pig price has narrowed to around 10p/kg in recent weeks.

China offers new market opportunities for Brazil

There was a sharp growth in Brazilian pork exports in the first quarter of 2016, of over 80% year on year, to 140,000 tonnes. Trade with its traditional markets of Russia and Hong Kong moved up sharply. Brazil's export diversification strategy, though, is now paying off as China has emerged as its third largest market in very quick time, as more Brazilian plants obtain approval. Brazilian pork is very competitive, with the average export price down 32% in US dollar terms, helped by the marked fall in the value of the Brazilian currency.

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