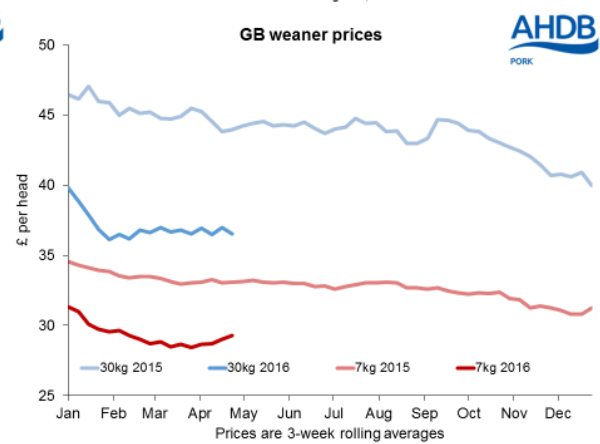
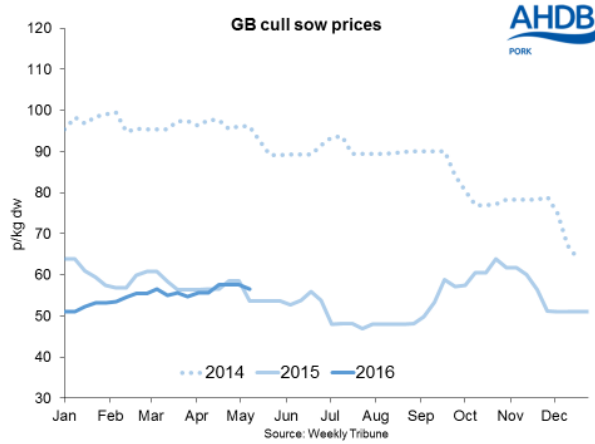
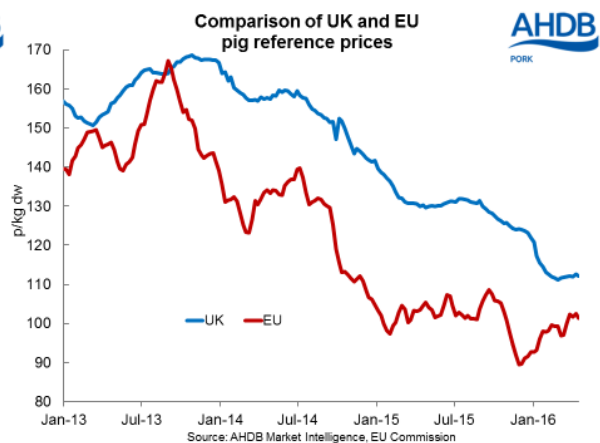
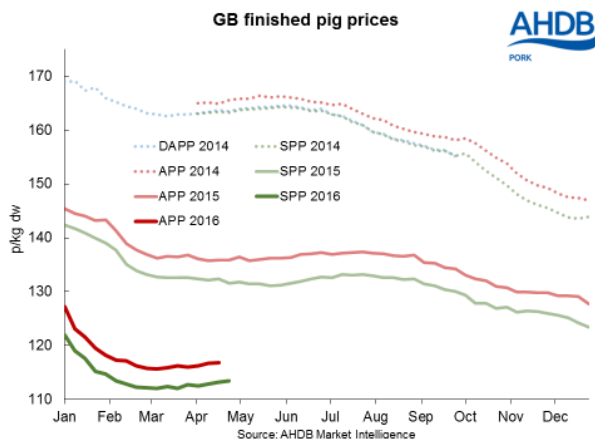


May 2016

UK PRICES

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.

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.



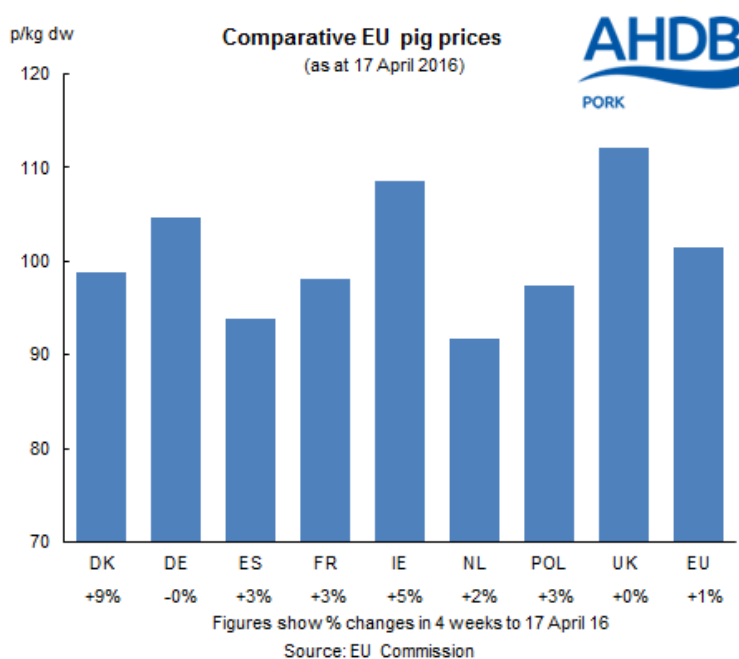
In March, the average monthly carcass weight decreased for the first time this year, with the APP sample averaging 82.51kg for the month. The decrease in weight could indicate that abattoirs have stopped rolling so many pigs over week on week, suggesting that supply is balancing out with demand somewhat.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

## EU PRICES

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.

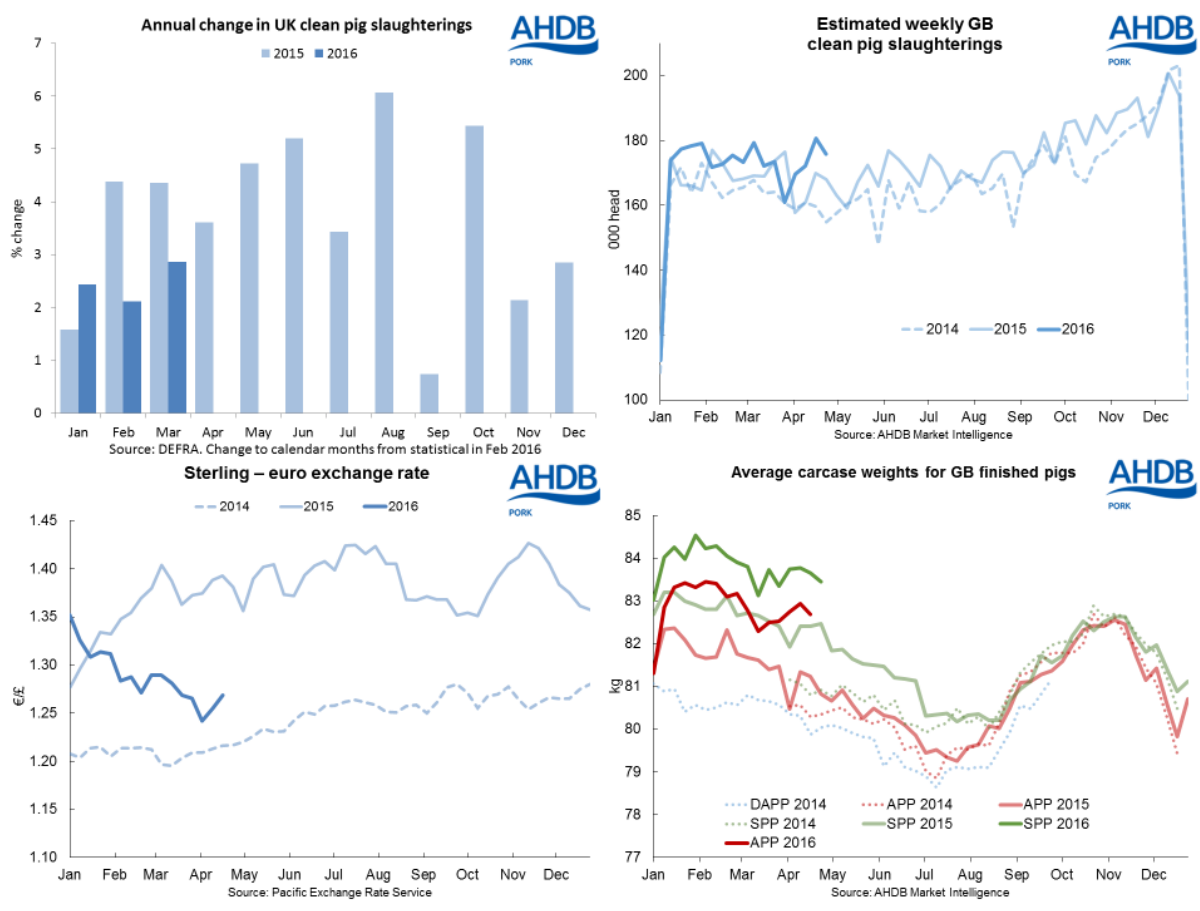


Prices on the key German and Spanish markets have followed similar trends to the EU average, rising during March but dropping back in April. The same is true of many neighbouring countries. Prices have been firmer in Denmark, where a rise at the end of March has been sustained, and France, where prices 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.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

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.

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 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 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.

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.

## FEED MARKET

Both European and US grain markets rose last week as weather concerns in South America once again dominated headlines. Furthermore, fund activity helped to support prices during the first half of the week, before slowing on Thursday.

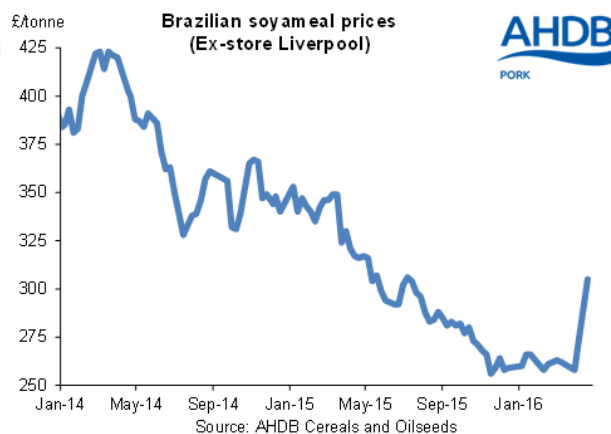
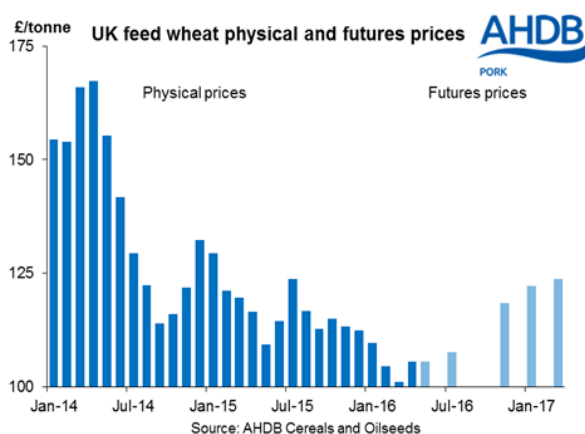
UK feed wheat futures (May-16) closed down on the week Tuesday-Tuesday by £1.05/t, settling at £104.65/t yesterday (26 Apr). Nevertheless, on Thursday it was at £107.50/t, the highest price on that contract since the beginning of February, before falling by £2/t at Friday's close.

A similar trend was recorded in US markets. May-16 Chicago futures also closed down (\$2.39/t) on the week on Tuesday (26 Apr) at \$176.28/t, down \$9/t from Wednesday's price of \$185.28/t. Chicago maize futures prices (May-16) also closed down on the week, albeit by a lesser amount (\$0.89/t), as US prices rallied somewhat from Monday-Tuesday, settling at \$150.48/t yesterday.

On Tuesday (19 Apr), the Brazilian government announced plans to scrap its import tax on maize shipments due to concerns over tighter supplies ([read more here](#)). The current tax (of around 8-10%) applies to those countries outside the Mercosur trade bloc (Argentina, Brazil, Paraguay, Uruguay and Venezuela) who already don't have an import tax applied to maize shipments. The change in policy follows the recent concerns over dry conditions in Brazil which could potentially hinder its second/winter maize crop.

On Thursday, Statistics Canada released the results of its intended plantings survey. From a grains perspective, the area intended to be planted to wheat and oats were forecast to fall while the area planted to barley and grain maize is expected to increase.

The intended area planted to all wheat in Canada (the world's second largest wheat exporter) is forecast to decrease by 1% year on year to 9.7Mha. Historically, the area that is intended to be planted to wheat in March is above the actual area sown to the grain. If actual plantings of wheat in Canada follow a similar trend to previous years (of 2% lower than intended plantings), then this would be the lowest area planted to wheat in Canada since 2011. Combined with lower intended plantings in the US, global supplies of wheat for next season could become tighter.



Chicago soyabean futures prices (May-16), closed at \$373.96/t, an increase of \$11.85/t Tuesday-Tuesday. On Friday the price was at \$362.66/t, but on the back of weather concerns in Argentina, the prices rallied one again to similar levels recorded last Wednesday. However, Paris rapeseed futures prices (May-16) closed at €372.00/t on Tuesday, a total decrease of €4.25/t week on week. Hi-pro soyameal for May delivery into the east coast was at £294/t on Friday (22 Apr).

Results from Statistics Canada's March Farm Survey on Thursday were also bullish for the oilseeds complex, with intended plantings of canola (rapeseed) pegged 4% below last year. At 7.8Mha, the intended area, if realised would be the lowest since 2011. It's important to note however that these are only intended plantings as of March, therefore a lot could change between now and when the majority of plantings get underway in May.

Oilseeds markets are still very much focussed on the potential impact of South American soyabean supplies, due to weather concerns. In Argentina, heavy rainfall in north-eastern regions has continued which has stalled harvesting. At 21 April, only 16% of the national area had been harvested, compared with 46% at this point last year. The impact of 20 days of uninterrupted rainfall in key growing regions led the Buenos Aires Grain Exchange to reduce their forecasts for output by 7%, to 56Mt (61Mt in 2014/15).

## **CONSUMPTION**

Over the 12 week period ending 27 March, overall meat, poultry and bacon volumes continued their modest growth, increasing by 3%. With average prices falling, though, total expenditure was almost the same as a year earlier. Volume growth was largely driven by increased volumes of lamb and poultry, although the former will have been influenced by the earlier Easter this year. However, fresh pork purchases also grew in volume through this period – up 3% on the year earlier.

Several pork cuts recorded volume growth, including leg, loin and shoulder roasting joints and marinades. This 12 week period covered the start of the Pulled Pork campaign, so there is an inference that, as well as boosting shoulder sales, this may have had a halo effect on other cuts of pork. However, expenditure levels are still down on the 12 weeks a year earlier, highlighting the continuing decreasing value of pork. Other fresh pork cuts, such as belly, chops and steaks, recorded small falls in volume sales.

The latest Kantar Worldpanel data shows that the consumer convenience category is maintaining its growth. The chilled main meal accompaniment market grew by just under 8% annually in volume (12 weeks ending 27 March 2016). Pork products in this category continued their strong growth (51% up in volume), accounting for just over 5% of the category.

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. However, more bacon was sold in the latest four weeks than in the same period last year. Pork pies recorded a sales increase in the 12 weeks ending 27 March, as did sausage rolls, in both value and volume terms.

## Trends in retail meat purchases (period ended 27 March 2016)

	4 weeks 2016/2015			12 weeks 2016/2015			52 weeks 2016/2015		
	Q	E	P	Q	E	P	Q	E	P
	% change compared with a year earlier								
<b>Fresh and Frozen Meat, Poultry and Bacon</b>	<b>+6</b>	<b>+2</b>	<b>-4</b>	<b>+3</b>	<b>-0</b>	<b>-3</b>	<b>+1</b>	<b>-2</b>	<b>-3</b>
Pork	+5	-6	-10	+3	-6	-8	-3	-9	-6
<i>Belly</i>	-0	-2	-1	-1	-2	-2	-7	-8	-1
<i>Chops/Steaks</i>	-1	-10	-9	-1	-9	-8	-4	-11	-6
<i>Leg Roasting Joint</i>	+17	-2	-16	+13	-2	-13	-9	-21	-13
<i>Loin Roasting joint</i>	+20	-0	-17	+10	-5	-13	+3	-3	-6
<i>Shoulder Roasting joint</i>	+16	-2	-15	+6	-4	-9	+1	-6	-7
<i>Marinades</i>	+18	+26	+8	+21	+32	+9	+13	+17	+3
<i>Ribs</i>	+2	+2	-0	-9	-2	+8	-4	-3	+2
<i>Mince</i>	-27	-21	+8	-15	-16	-2	-8	-14	-7
Bacon	+2	-3	-6	-2	-6	-4	-2	-6	-4
Beef	+4	-2	-5	-1	-1	-1	-1	-1	-0
Lamb	+21	+21	-0	+12	+10	-2	+0	+1	+0
Poultry	+3	+0	-3	+4	+2	-1	+4	+0	-4
<b>Processed products</b>									
Pork Sausages	-1	-9	-8	-1	-7	-6	-2	-5	-3
Fresh Pre-packed Pork Pies	+17	+9	-7	+13	+5	-7	+3	+3	-0
Fresh Pre-packed Sausage Rolls	+8	+10	+2	+3	+3	+0	+6	+2	-4
Pork Sliced Cooked Meats	-2	-6	-4	-2	-6	-4	-1	-5	-4
Pork Chilled Ready Meals	-5	+1	+7	+3	+3	-0	+4	+3	-1

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

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The United Kingdom pig meat situation and outlook is analysed in more detail in "Pig Market Trends", published monthly. For further information, [click here](#).

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