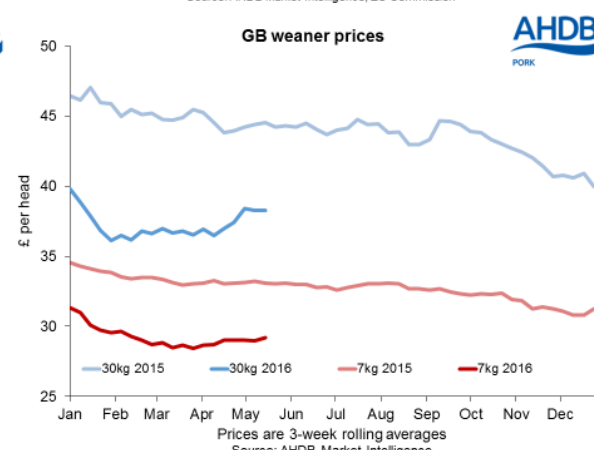
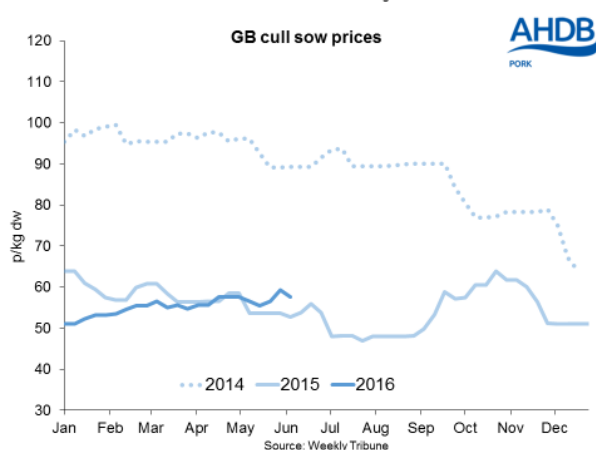
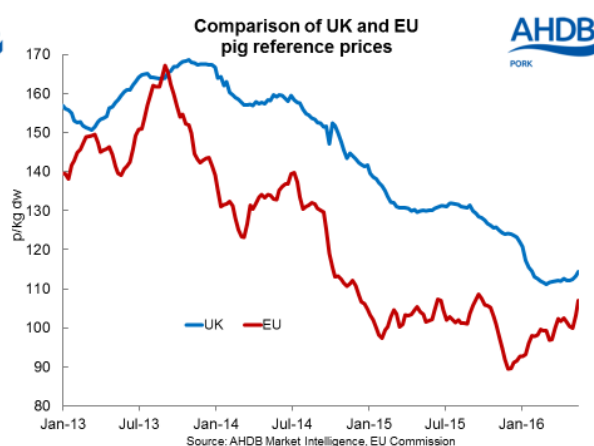
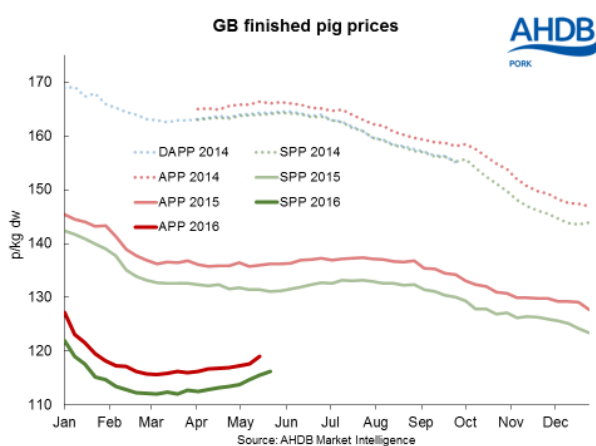


UK PRICES

In April, GB pig prices started to firm slightly, with the monthly average EU-spec APP almost a penny ahead of March, at 116.83p/kg. However, this was still over 19p down on the same month last year. April was a month of consecutive price increases, albeit marginal ones, which was evidence that the bottom of the market may well have been reached and was now on the turn. The first two weeks of May have continued this positive trend, despite the bank holiday early in the month. By week ended 14 May, the APP had risen to 119.05p/kg, its highest level since January.

The SPP followed a similar trend to the APP in April, and recorded almost the same price increase over the month, up 0.86p to end at 113.19p/kg. The gap between the APP and SPP narrowed during April, with the SPP growing at a slightly stronger rate than the APP. The gap was less than 3.5p/kg by the end of April and reduced further into early May. The latest SPP, for week ended 21 May, stood at 116.27p/kg.



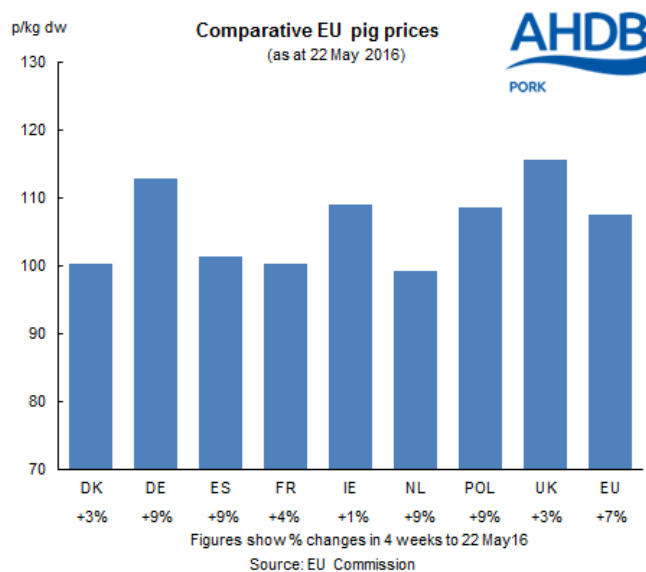
In April, the average carcass weight remained largely stable on the month before, with the APP sample averaging 82.51kg for the month – the same level as March. Increases in average carcass weights early in April helped to offset the declines recorded later in the month. This stabilisation in weights suggested that supply levels had balanced out somewhat, with producers not needing to roll their pigs over to later weeks. However, weights are still 1½ kilos more than this time a year earlier.

The GB weaner market recorded a few fluctuations during April but broadly followed the modest increasing trend of the finished market. 30kg weaners responded more positively during the month,

recording a price increase of 71p month on month to average £37.44. 7kg weaners also recorded a modest increase on the previous month, up 35p to £28.85.

## EU PRICES

The EU pig market has shown some signs of positivity during April and May, recording the most significant upswing in prices in over a year. In the four weeks to 22 May, the EU average price increased by €11 to stand at €138.57 per 100kg. This was its highest level since the end of October and meant the price was closing on its level a year before. The last time the EU price showed any year-on-year increase was in June 2014. If recent trends are sustained, this landmark could be reached in the coming weeks. The improvement in the market is reported to be due to stronger consumer demand as the weather improved in northern Europe, together with the start of the holiday season further south.



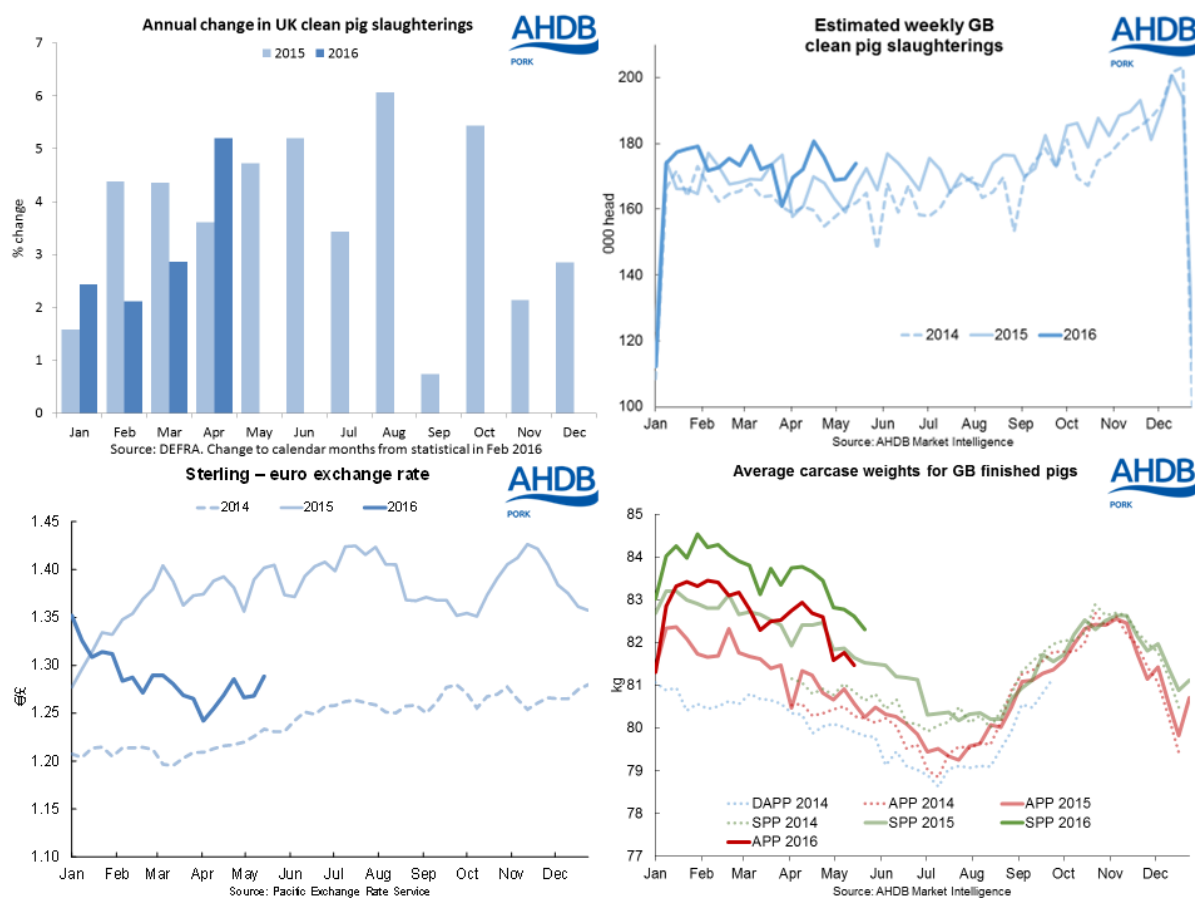
The pattern of increasing prices was apparent across all the major producing Member States. The key German price was up €14 per 100kg over the latest four weeks, the Spanish quote rose by €12 and there were similar rises in most other countries. France and Denmark were somewhat less affected by the upward momentum but even here, prices were higher than four weeks before by €7 and €5 per 100kg respectively.

The EU price has been rising more rapidly than the UK market. This meant that the UK price premium, based on the respective reference prices, dropped to around 7p/kg in week ended 15 May, its lowest level since September 2013. Some strengthening of the pound in the following week meant the gap opened up slightly to 8p/kg.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK pig meat production remained strong in April at 76,800 tonnes, according to the latest DEFRA figures. Allowing for a change in reporting periods, the latest figure is around 6% higher than April 2015. A combination of factors contributed, including Easter falling in March this year. Slaughterings of clean pigs were up 5% to 893,800 head, although this increase is slightly higher than indicated by other sources, so may be subject to revision. Coupled with this, the average carcass weight was around 700g heavier than April 2015, at 82.3kg. However, this was 600g lighter than in March.

In April, sow slaughterings remained inflated, with 22,400 slaughtered throughout the month. This was 12% above the adjusted figure for a year earlier. This continues the trend recorded this year so far, and supports the expectation that some contraction of the breeding herd may be continuing.



Imports of fresh/frozen pork decreased slightly in April when compared with a year earlier, by 3%. This was largely driven by a decrease of shipments from Germany (-22%), while imports from Denmark did record a 10% increase. The weakening pound has helped to dampen import volumes. Unit prices remain low, however, with the value of imports down by 13% at £45.9 million.

Imports of other pig meat products were also lower. Bacon shipments were 8% lower than a year before, with less Danish and German product but more from the Netherlands. Sausage imports were down 1% year on year, while the amount of other processed products entering the UK market rose slightly.

UK exports of fresh/frozen pork continued to increase in March, to 19.4 thousand tonnes. This was a 22% increase on the same period a year earlier and compounded the strong start exports have recorded this year. Shipments to China were the predominant cause of this growth, up 72% on a year earlier. Increased sow slaughterings contributed towards growth in shipments to Germany (+15%). Although much smaller in absolute volumes, shipments to the United States more than doubled and Philippine shipments were four times greater than the same period a year earlier.

The value of pork exports also grew in March, to over £21 million, which was a 37% increase on a year earlier. This was assisted by the high pig price in China, as well as increased volumes of pork exported to high value markets.

Offal exports more than doubled in March, with large increases recorded in shipments to Asian markets. Chinese exports rose to 3,300 tonnes, while shipments to Hong Kong nearly trebled and levels to the Philippines and South Korea experienced a four-fold increase, albeit from a smaller base. There were also higher exports to some EU countries but these are likely for onward movement to the Asian market. Sausage and processed exports fell during March from 2015 levels, although volumes were relatively small.

## **FEED MARKET**

Over the month (25 April- 24 May) UK feed wheat futures (Nov-16) fell just under £2/t with a slight rally occurring in the middle of May. Similarly, Chicago wheat futures fell over the month by around \$4/t. Rallies again occurred around the 17 May. However, Chicago maize futures (Dec-16) over the month rose by nearly \$6/t, with the main rise occurring in the latter week of the 4-week period.

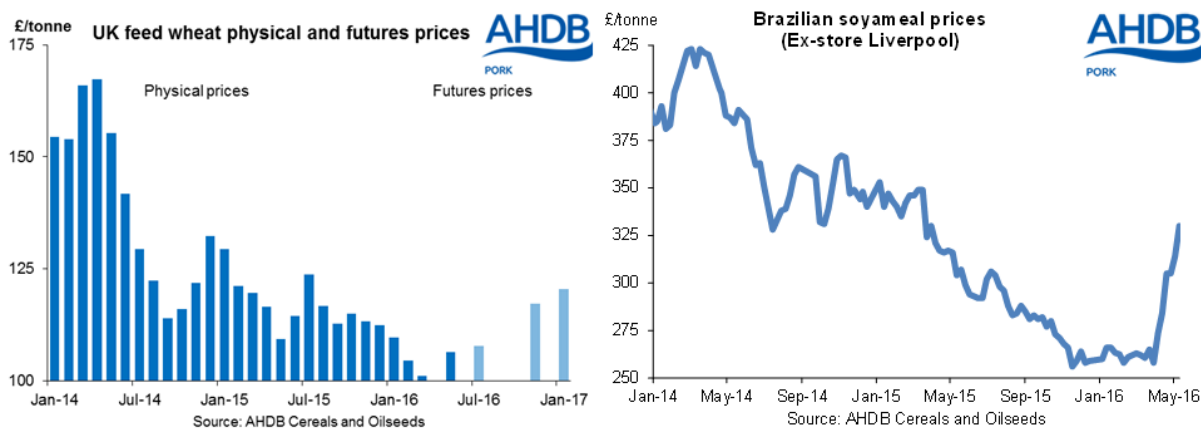
In terms of exchange rates, sterling recorded its largest daily gain against the euro since February on 19 May and its largest weekly rise since July 2015. Sterling also rose against the US dollar, though less so, reaching levels comparable to the beginning of the month. This strength weighed on both grain and oilseed prices in the UK.

Combined UK wheat and barley exports in March were at their highest monthly level since September 2000 at 684Kt, partially aided by currency movements. UK barley exports were especially strong at over 300Kt for the first time since Dec-98, while for wheat, it was the strongest month since Nov-11 with 383Kt shipped.

The strength of the UK barley campaign has supported domestic barley prices and since the beginning of March the discount of UK feed barley ex-farm prices to feed wheat has dropped to below the £5/t mark. Since the week ending 25 February, the discount has fallen from £6.9/t to £3.5/t as at 19 May. Anecdotally when barley's discount closes in on £5/t, barley inclusions will be kept at a minimum, due to the lower nutritional value of the grain compared with wheat. The drop to below this price point could mean that we see an increase in the inclusion of wheat in animal feed this season. However, for next season this could change again due to a reduced demand from China for French barley. This will mean that France will be looking to export barley potentially to other EU countries and could lower their prices to increase competitiveness.

The use of maize in animal feed production is forecast to increase by 18Kt from February's [Supply and Demand estimates](#) to 1.109Mt. This is mainly driven by a rise in usage from the ruminant sector in GB and Northern Ireland, as well as an expected increase in the amount fed on farm. However, this latest forecast is 3% lower than 2014/15.

On a wider EU basis, Strategie Grains increased its forecast for 2016/17 common wheat production in the EU-28 by 1.9Mt compared to a month ago to 146.7Mt. Favourable weather conditions have boosted yield potential in Germany, Romania and Spain. However, this was offset somewhat by a reduced carry-over, due to an increase of just under 1Mt to 2015/16 exports.



Weather events have been the main talking point for soyabeans this month. Flooding in Argentina has caused approximately 5Mt of damage to the soyabean crop. The high world demand and reduced supplies from South America could boost to US soyabean exports.

Soyameal prices have increased since the beginning of April 2016. Indeed, since 8 April until 24 May Dec-16 Chicago soyameal futures have risen by 28% to just under \$400/t. The rise in prices over this period is in response to the South American crop losses and reductions to the export supplies of soyabeans and soyameal. Oil World is estimating that between April and September 2016, world exports of soyameal will reduce to 35.5Mt, compared to the same period in 2015 (35.71Mt). With higher prices, making soyameal expensive to use in feed rations there could be opportunities opening up for exporters and producers of different oilmeals and feed grains to fill the gap of soyameal.

Rapeseed meal prices have been lower than some other meal prices in the European market in recent weeks. This was influenced by the start of new crop supplies, which will continue into the next couple of months. It's also been reported that a weakness in consumer demand for rapemeal, as EU rapemeal prices were 58% of the value of soya meal on May 19 (down from 66% a month earlier), according to Oil World.

## CONSUMPTION

Over the 12-week period ending 24 April, overall meat, poultry and bacon volumes continued their modest growth, increasing by 2%, according to Kantar Worldpanel. With average prices falling, though, total expenditure was 2% down on a year earlier. Volume growth was largely driven by increased volumes of pork and poultry.

Expenditure on retail pork purchases was down 7% year on year in the 12 weeks ending 12 April, according to Kantar Worldpanel. This was driven by retail prices falling by 9% but there was a 2% increase in the amount bought. This was partly because of consumers buying more per shopping trip. Roasting joints were the key drivers of the volume gains in pork – led by shoulder which experienced just over 17% growth year on year. The 12-week period covers most of the latest pulled pork campaign, which may help to explain the growth; a full evaluation of the campaign's impact will be available in due course. The growth in the amount of shoulder joints bought was against a backdrop of retail prices being down 13% on the year. Not only did more households buy the cut but there was also an increase in the amount bought per household.

Expenditure on bacon continued to decline on the back of a small fall in the amount purchased but mainly due to a drop in average retail prices of 6%. The level of promotional activity is down year on

year due to less Y for £X activity. The value of sausage sales was down 10%, with this predominantly coming from lower retail prices, which fell by 7%. The one growth area for sausages continues to be low fat, albeit from a very small base. Sliced cooked meats were down 4% in spend for the 12-week period. Ham was down 8%, with retail prices down 4% and the volume bought down 3%. Hard Discounters continue to buck the sales trend by registering growth.

#### Trends in retail meat purchases (period ended 24 April 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>-2</b>	<b>-6</b>	<b>-3</b>	<b>+2</b>	<b>-2</b>	<b>-4</b>	<b>+1</b>	<b>-2</b>	<b>-3</b>
Pork	-2	-11	-9	+2	-7	-9	-3	-8	-6
<i>Belly</i>	-0	+1	+1	-2	-2	+0	-6	-7	-1
<i>Chops/Steaks</i>	+2	-8	-10	-1	-9	-9	-4	-10	-7
<i>Leg Roasting Joint</i>	-17	-22	-6	+3	-12	-15	-9	-19	-11
<i>Loin Roasting joint</i>	-23	-33	-13	+3	-11	-13	-1	-8	-7
<i>Shoulder Roasting joint</i>	+21	-4	-20	+17	+2	-13	+3	-5	-7
<i>Marinades</i>	+5	+4	-0	+8	+14	+6	+14	+18	+3
<i>Ribs</i>	-20	-11	+12	-15	-7	+9	-5	-3	+3
<i>Mince</i>	-1	-6	-5	-13	-16	-3	-7	-13	-7
Bacon	+0	-9	-9	-0	-7	-6	-2	-6	-5
Beef	+2	-1	-3	+1	-1	-2	-0	-1	-0
Lamb	-36	-26	+17	-4	-1	+3	-1	+0	+1
Poultry	-2	-2	+0	+2	+0	-1	+4	+0	-3
<b>Processed products</b>									
Pork Sausages	-7	-13	-6	-4	-11	-7	-2	-6	-4
Fresh Pre-packed Pork Pies	+4	+1	-3	+11	+5	-6	+4	+4	-1
Fresh Pre-packed Sausage Rolls	+1	+11	+9	+4	+8	+4	+6	+3	-2
Pork Sliced Cooked Meats	-4	-6	-2	-3	-6	-3	-2	-5	-4
Pork Chilled Ready Meals	+8	+8	+0	+4	+6	+1	+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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