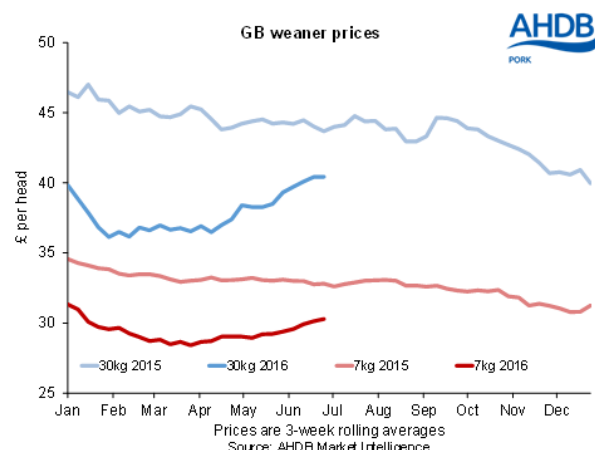
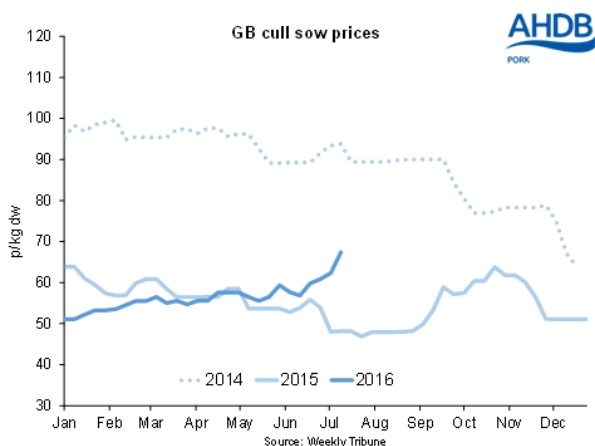
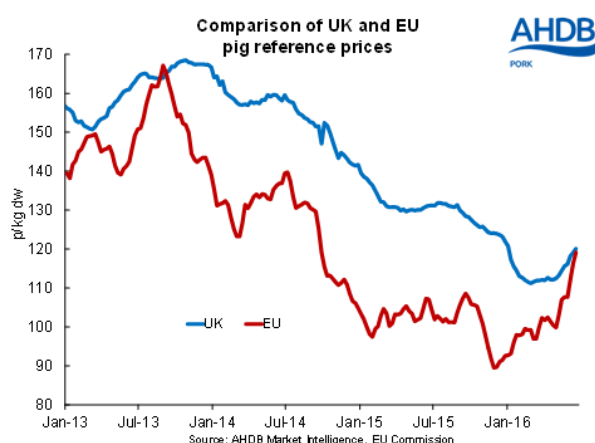
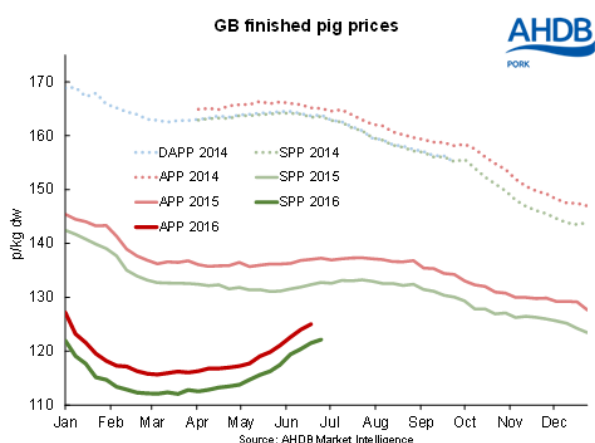


July 2016

UK PRICES

In May, GB pig prices continued to increase, albeit at a relatively modest pace. The monthly average EU-spec APP was 2.63p ahead of April, at 119.46p/kg. However, this was still over 16.5p behind the same month last year. After eleven consecutive weeks of price increases, it can be assumed that the market has now turned to a relatively positive trend. The first two weeks of June have continued this movement, with the APP now north of 120p/kg for the first time since the beginning of January. By week ending 11 June, the APP stood at 124.01p/kg, which was a price that had not been recorded since the end of 2015.

The SPP followed the same trend as the APP in May, with the price increasing by almost 3p during the month, to end at 116.01p/kg. The gap between the APP and SPP grew marginally as the month progressed, starting the month at just over 3p, and ending May at 3.6p/kg, showing the APP growing at a slightly stronger rate than the SPP. The latest SPP, for week ending 18 June, stood at 121.53p/kg.



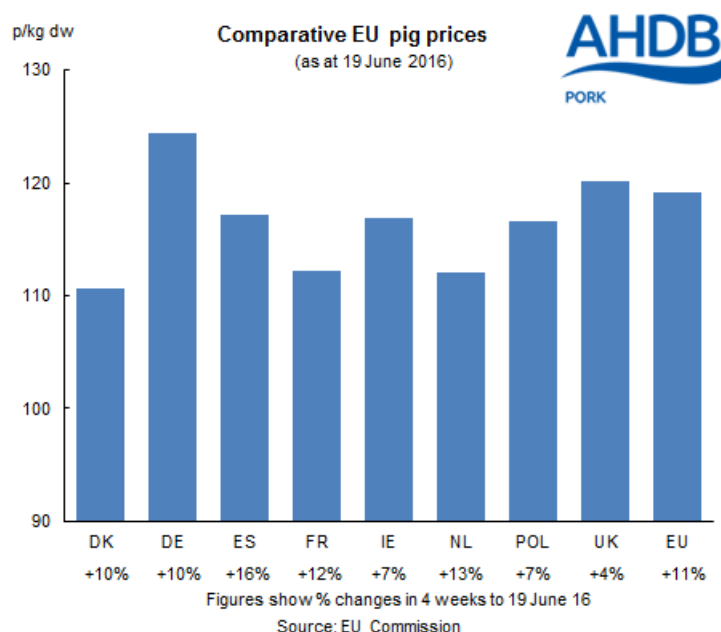
In May, the average carcass weight fell by over 1kg from the previous month, with the APP sample averaging 81.43kg. There was a decreasing trend in the carcass weight throughout the month, suggesting that supplies are beginning to tighten and producers are sending their pigs forward for processing in a timely fashion. Weights are still 0.9kg heavier than this time a year earlier, although the difference is beginning to narrow.

The GB weaner market showed a modestly increasing trend during May, with a few fluctuations. 30kg prices responded more positively, with a price increase of £1.12 during the month, to average £38.56. 7kg weaners recorded a more modest price increase of £0.33, to average £29.18 for May.

EU PRICES

The EU pig market has become increasingly buoyant throughout May and June, with the latest prices now in excess of 2015 levels. In the four weeks to 19 June, the EU average price increased by €12 to top €150/100kg. This was the highest level since September 2014. The improvement was largely assisted by the increasing demand from the Far East, notably China, with record export levels being recorded in the first four months of the year.

Furthermore, stronger consumer demand following improving weather in northern Europe and the start of the holiday season in the south of the continent has further increased demand, subsequently supporting pig prices.



All the major producing member states recorded price increases over the May-June period. The pivotal German price was up by over €12 per 100kg over the latest four weeks, while the Spanish price rose by nearly €18 per 100kg. Poland recorded the most modest price increase among major producers, but prices were still up almost €8 per 100kg.

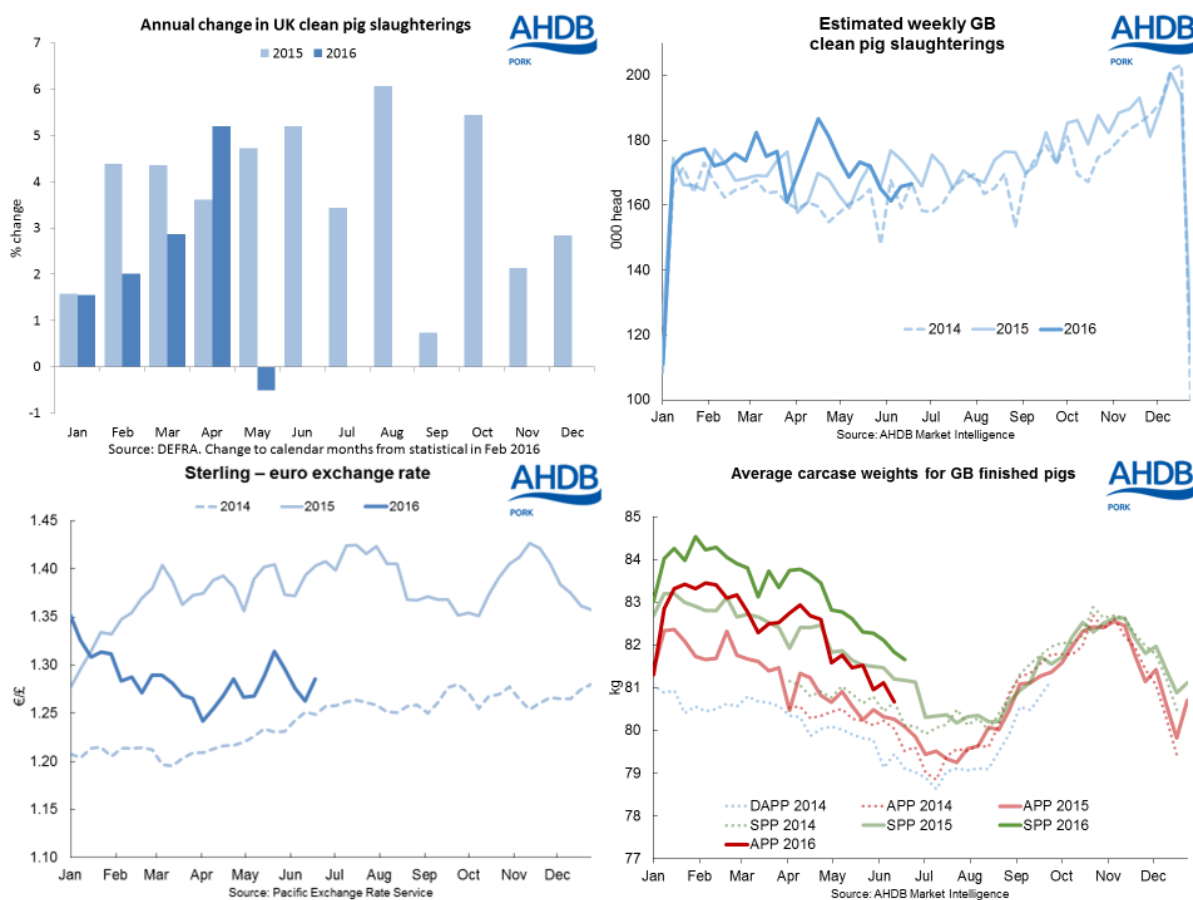
With the EU price increasing at a greater rate than the UK pig price, the UK price premium was eroded over recent weeks, standing at less than a penny for week ending 19 June. This was the lowest level since September 2013. However, on the run-up to the EU referendum, exchange rates remained volatile, so the premium had been fluctuating slightly.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

According to the latest DEFRA figures, pig slaughterings for May were up on the same period a year earlier, to 863 thousand head. However, if you allow for a change in reporting periods, the latest figure actually represents a 0.5% fall in slaughtering levels on May 2015. If sustained, this decline in slaughterings may start to provide a tightening of supplies, which will further support the UK pig price, which has been slowly recovering since April.

In addition to fewer pigs coming forward to slaughter, the average carcass weight from the SPP sample fell in May, to 81.3kg. This is the first time this year that the average carcass weight has fallen below 82kg, and is now at similar levels to May 2015, only 0.1kg heavier.

Sow slaughterings continued to be ahead of 2015 levels, 4% more than the adjusted figure, at 20,700 head. This continues the trend that has been recorded in 2016 to date, supporting the expectation of a contraction in the breeding herd, resulting in a tightening of supplies in the future. Some of this tightening may already be being experienced, with adjusted production levels down modestly by 0.3% in May, compared with the same period a year earlier.



Imports of fresh/frozen pork were 4% down on April 2015, to 26.9 thousand tonnes. With the UK pig price premium now under 10p/kg, imported pork is no longer significantly cheaper, thus helping to dampen down import levels. Despite rising pig prices in the UK and EU, average unit prices remain down on April 2015, resulting in the value of imports being almost 16% less than the same period a year earlier, to £41.7 million. The decline in bacon imports continued in April mainly given an ongoing sharp fall for Denmark, down 22%.

UK exports of fresh/frozen pork continued to grow significantly in April, to 17.2 thousand tonnes. This was an 18% increase on the same period a year earlier. Once again, China was the main driver behind this growth, with shipment levels almost doubling versus April 2015. The increase in sow slaughterings saw shipment volumes to Germany increase by almost 12%. Export volumes to the United States, Philippines and Poland also recorded strong growth, albeit in smaller absolute volumes. US and Polish shipments more than doubled and exports to the Philippines increased over seven-fold on April 2015.

The value of UK fresh/frozen pork exports increased by over 29%, to £19.3 million, when compared with April 2015. The strong pig price in China has largely driven this value growth, coupled with increased shipments of high value cuts to countries such as the United States and Australia.

Offal export levels also continued to rise in April, more than doubling to 6.6 thousand tonnes. The Asian markets were the main driver of this growth, with China accounting for half of all UK shipments. Sausages

and processed products saw export volumes fall, by 45% and 13% respectively, although overall volumes were relatively small.

FEED MARKET

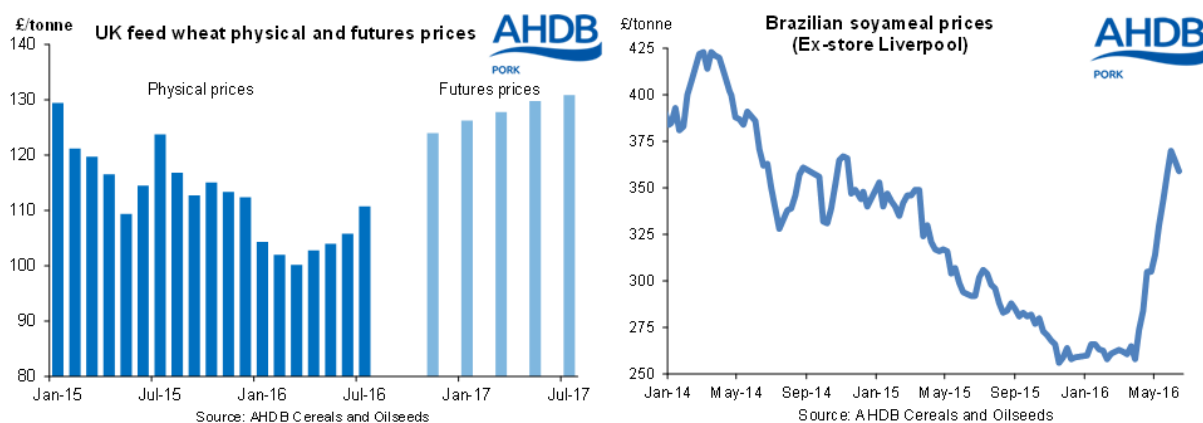
The price of maize has been a key focal point over the month to 23 June, with US maize futures (Dec 16) peaking at \$176.66/t on 17 June before falling back down to \$156.59/t on 23 June, a decrease of 3% from 26 May. The main catalyst behind the rise was concern over South American production combined with concerns over how drier than usual US weather could affect crop condition.

Output from the world's third largest maize producer, Brazil, is expected to fall by 9% this season (2015/16) compared to last, driven by reductions to the size of its second (safrinha) maize crop. Combined with weather concerns in the US, this added upward movement to prices. Nonetheless, these concerns were dampened by the latest USDA crop progress report, which showed no change in crop conditions (as at 19 June) from the previous week.

The upward movement to maize markets also pulled global wheat prices up with it, while UK prices received a further boost from a weakening in sterling against the euro to mid-June. As at 9 June UK feed wheat futures (Nov-16) were at £123.50/t, an increase of 6% from 26 May.

Nevertheless, UK feed wheat futures prices (Nov-16) settled at £115.20/t on 23 June, a decrease of £1.35 on the month (26 May – 23 June). The fall in prices later in the month followed the easing in US weather concerns, which was compounded in the UK by a partial recovery in sterling, at least until 23 June.

Future price trends will depend, in part, on how markets react to the EU referendum result, with the initial response being a significant weakening of the pound. This has provided some support to UK feed wheat prices. Other than this, the maize situation is going to be a key watching point from a feed ingredient perspective. It is no secret that the global outlook for wheat remains heavy, due to forecasts of another bumper year of production forecast for next season. Globally, with higher priced maize and ample supplies of wheat, it could mean that wheat buys back some demand from maize.



South America hasn't just been dominating the grains markets, it has been a key talking point in the proteins market once again this month. Earlier in the month, prices were driven by concerns over both the quality and quantity of soyabean stocks, specifically in Argentina. Reports of restricted supplies from one of the world's largest grower of soyabeans led to sharp price rises.

Nov-16 Chicago soyabean futures prices peaked at \$427.24/t (10 June) up almost \$40 on the position on the 25 May. This contract settled at \$404.74/t on 23 June, an increase of 5% (\$18.74/t) from 26 May. Concerns over the South American crop and subsequent price rises also had a large impact on the price of

soyameal. UK delivered soyameal prices have followed a similar trend, rising £13/t in the week 27 May to 3 June.

We have also seen changes in the value of rapeseed over the month. Paris rapeseed futures prices (Nov-16) followed a similar trend to other oilseeds in the complex and increased midmonth. Nonetheless, from May 26 – June 23 the Nov-16 contract recorded a decrease of 4% to settle at €362.25/t.

CONSUMPTION

In the four weeks to 22 May, volume sales of fresh/frozen pork fell by 6% on the year earlier, according to the data from Kantar Worldpanel. This decrease also translated into the longer-term view, with volume sales of fresh/frozen pork in the 12 weeks to 22 May down by a more modest 2%. The decrease in volume sales, particularly in the shorter-term period, coincides with the running of the first wave of the AHDB Pulled Pork campaign in 2015. Therefore, a fall in comparison volumes should come as little surprise. Encouragingly, volume sales of shoulder roasting joints were still up over the 12-week period, by 5%. This period will incorporate both the third wave of the Pulled Pork campaign this year, compared with the start of the first wave in 2015. However, with the exception of marinades, all other cuts recorded a decrease in volume sales over the 12-week period.

Bacon recorded a marginal increase in sales over the full twelve-week period to 22 May. However, the shorter 4-week view saw sales fall by 1%. Sausages and sliced cooked meats saw declines in volume sales over both the four and twelve-week periods. More encouragingly, pork pies and sausage rolls have been continuing their growth over both periods. The average unit price of all pork cuts, bar ribs and mince, and processed products were all down in the 12-week period, highlighting the deflationary effect that is still apparent in the pork category.

Trends in retail meat purchases (period ended 22 May 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								
Fresh and Frozen Meat, Poultry and Bacon	+1	-3	-4	+2	-2	-4	+2	-2	-3
Pork	-6	-12	-7	-2	-10	-9	-3	-9	-6
Belly	-4	-7	-3	-2	-3	-1	-6	-7	-1
Chops/Steaks	-3	-12	-9	-1	-10	-10	-3	-10	-7
Leg Roasting Joint	-10	-26	-18	-4	-16	-13	-10	-20	-12
Loin Roasting joint	-1	-12	-10	-7	-19	-13	-1	-7	-6
Shoulder Roasting joint	-14	-26	-14	+5	-12	-16	-1	-9	-9
Marinades	+9	+12	+4	+9	+13	+3	+16	+22	+4
Ribs	-1	-1	+0	-7	-3	+4	-5	-2	+3
Mince	-13	-5	+10	-15	-11	+5	-8	-14	-6
Bacon	-1	-12	-11	+0	-8	-8	-2	-7	-5
Beef	+1	+1	-0	+2	-1	-3	+0	-0	-0
Lamb	+11	+9	-1	-3	+1	+3	+0	+1	+1
Poultry	-1	-3	-3	+0	-2	-2	+3	+0	-3
Processed products									
Pork Sausages	-2	-8	-7	-3	-10	-7	-2	-6	-4
Fresh Pre-packed Pork Pies	+8	+5	-3	+9	+5	-4	+5	+4	-1
Fresh Pre-packed Sausage Rolls	+5	+4	-0	+3	+4	+1	+5	+2	-3
Pork Sliced Cooked Meats	-2	-2	+1	-3	-4	-2	-1	-5	-3
Pork Chilled Ready Meals	+5	+2	-3	+2	+4	+1	+3	+2	-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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