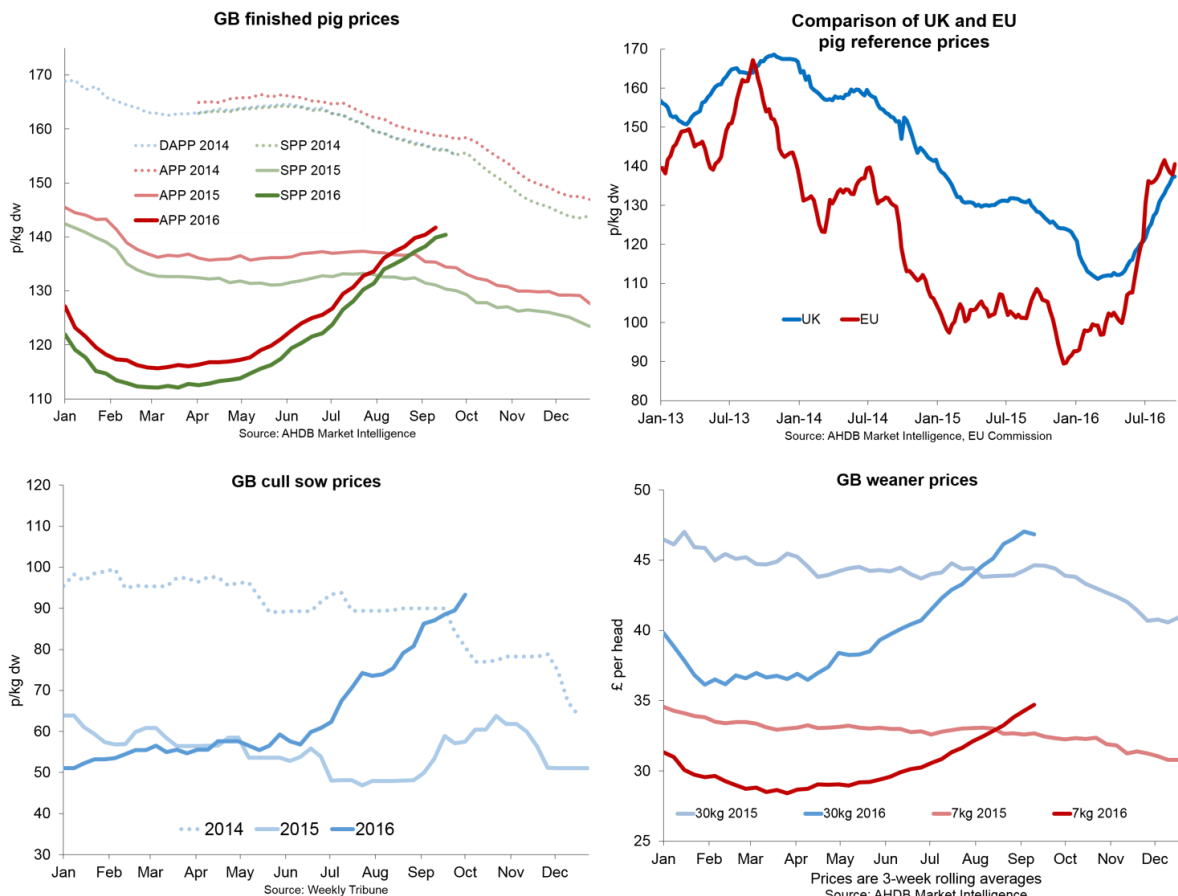


October 2016

UK PRICES

GB pig prices continued to show significant increases during August, with the monthly average EU-spec APP up 7.18p to 137.85p/kg. This means price increases have now been seen for five consecutive months. The average monthly price rise for August is even higher than that seen during July, which was the strongest rise since the APP was introduced. The continued weak value of sterling against both the euro and the dollar has ensured UK pork remains competitive on both the domestic and international markets. This greater demand, coupled with a tightening of supplies, has supported the price. Growth has continued into the first two weeks of September, with the APP exceeding 141p/kg for the week ended 10 September. These prices have not been seen since January 2015.



The SPP also grew strongly again during August, increasing by over 7.5p on July to average at 135.57p/kg. The gap between the APP and the SPP increased throughout the month, starting at 2.13p and closing at 2.48p. However, as the SPP has increased in the past two weeks, standing at 140.38p/kg for week ended 17 September, this gap has narrowed again to 1.86p. The latest SPP is 10p higher than the same period a year earlier.

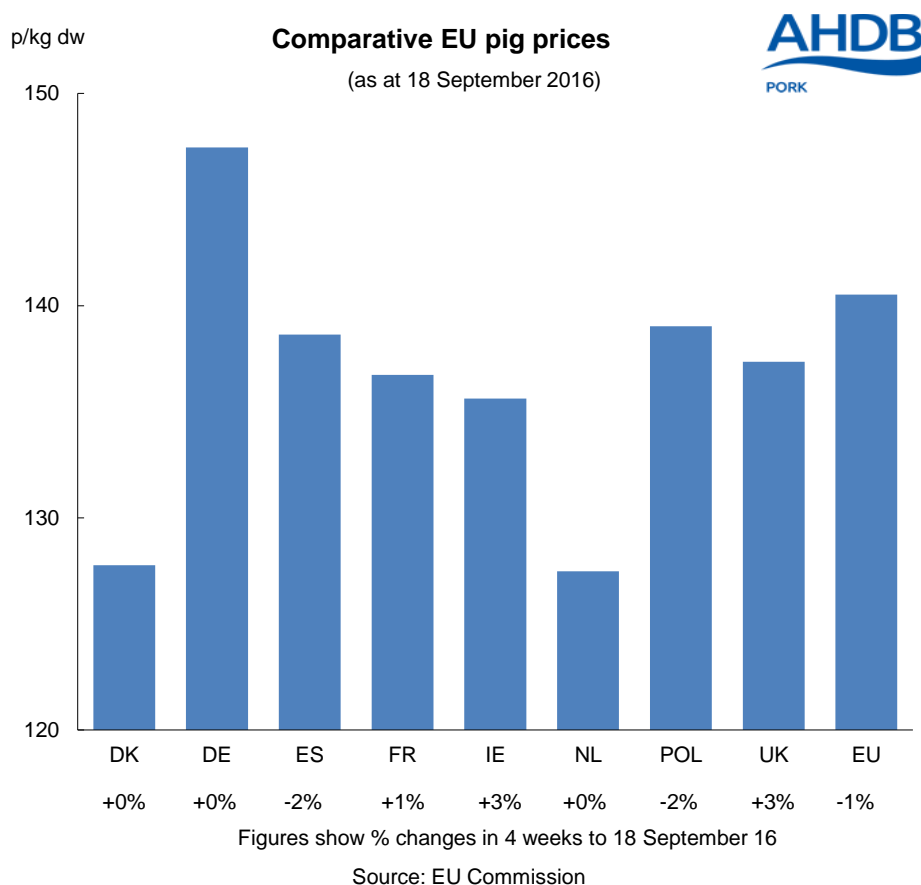
The average carcass weight rose 0.16kg during August, with the APP sample finishing the month at 80.69kg. There was a degree of fluctuation throughout the month, with weights spiking north of 81kg for the week ended 20 August. Overall, average carcass weights were 0.63kg heavier than the same point in 2015. Despite this, carcass weights are still much lower than the start of the year, with the price now at such levels that producers do not need to roll their pigs.

As for the pig price, the GB weaner market showed strong increases in both categories during August. 30kg weaners increased by £3.25 on July to £45.96/head, a level not seen since January 2015. 7kg weaners also recorded a more modest price increase of £1.91, reaching £33.11/head. Weekly prices have continued to rise into September, for both the 7kg and 30kg categories, with the most recent figures around those seen at the end of 2014.

EU PRICES

The EU average pig reference price continued its upward trend of the year, following a slight plateau in August. As at week ended 18 September, it had risen by almost €2 in the latest four-week period, to €165.46/100kg. This is the highest price since July 2014 and 12%, or €18, up on the same week last year. The price was also slightly above the two-year earlier level, albeit by a much smaller margin; up just 2%, or €3. Note that due to the volatility of sterling in recent weeks, the EU price in terms of British pounds largely stood on last month's levels.

The strong Chinese demand has continued to boost the EU price, coupled with the latest census figures showing a tightening of supplies across all major producing Member States. This has helped to support a drop in domestic demand across many EU states, with reports of a slightly disappointing barbecue season not livening the domestic market as hoped.



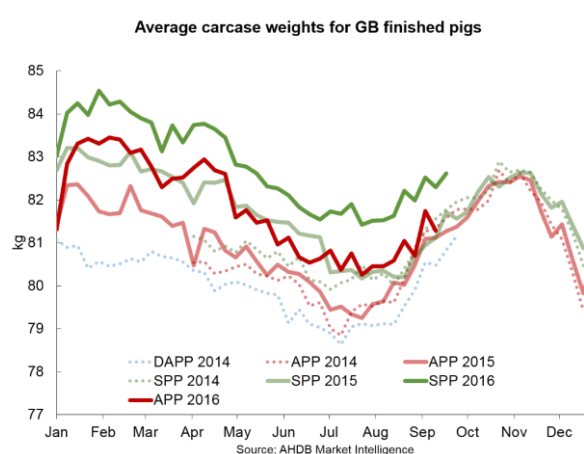
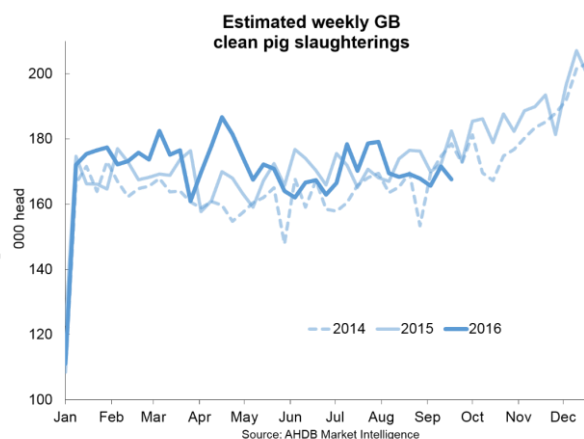
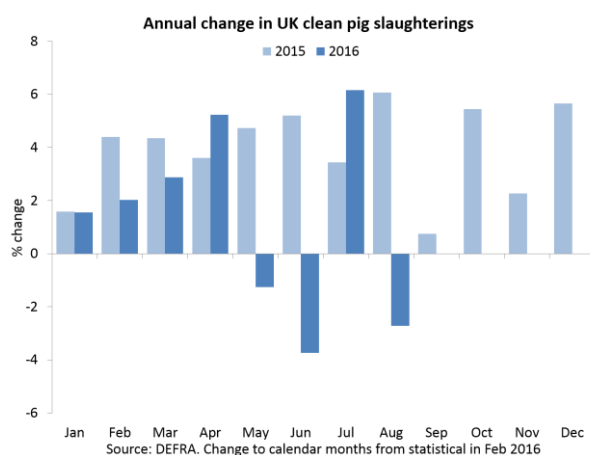
In recent weeks, the prices in northern Europe have been performing well. Over the last four weeks, the Danish and German prices both rose, by €3 and €4, respectively. The Dutch price increased by just over €2, while the Belgian price remained largely stable (up by less than €1). In southern Europe, the Spanish pig price fell by just over €1 in the same period.

The UK reference price remains behind that of the EU, and while the gap was narrowing over recent weeks, for week ended 18 September this increased again, back to 3p/kg. However, this remains far below the price gap that was observed following the Brexit vote, of over 12p/kg.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

According to the latest figures released from Defra, UK clean pig slaughterings were back 3% in August on the year earlier, to 901.6 thousand head. This allows for adjustments to Defra's 2015 figures, following their change of reporting methodology from a statistical month to a calendar month in February. This downturn in production would confirm the relatively tight supply situation that has been experienced of late, which in turn has supported the pig price that is now above the level recorded at this point a year earlier.

The latest figures also show a decrease in sow slaughterings on the year earlier, continuing the trend from the previous month. Throughputs of 19.6 thousand head were 5% down on August 2015, and may infer that the rising pig prices could be causing increased optimism among producers, and incentivising them to maintain, or even increase, their breeding herd. Average carcass weights stood at 80.8kg, which was 600g more than the year earlier and 200g more than the previous month. A fall in slaughterings translated to a decrease in the volume of production, which was back 2% in August on the previous year, to 75.8 thousand tonnes.



Imports of fresh/frozen pork continued to increase, up 12% to 36.6 thousand tonnes relative to July 2015. Similar to the previous month, this increase was driven by Danish imports, which almost doubled compared to the previous year. Increases in offal imports were also recorded, particularly from Poland, with volumes increasing by almost 16%. On the other hand, bacon, sausages and processed meats all reported decreases in import levels.

UK fresh/frozen pork exports counteracted the recent increasing trend, decreasing by 7% to 14.3 thousand tonnes in July, compared to the previous year. There was a 19% decrease in shipments to Germany; a key destination for cull sow meat, and exports to Denmark were back 74% on July 2015. Chinese shipments, however, showed no signs of slowing with volumes up 62%. Despite the drop in July, overall exports for the year to date were still up 20% on last year.

The value of UK exports was up 11% on the year earlier, largely driven by the value of Chinese shipments more than doubling on the same period last year. This was supported by the strong pig price currently being recorded in China.

Offal shipments continued to grow, up by 2% year-on-year to 4.8 thousand tonnes. This growth occurred despite a decrease in volumes to China, as these were offset by increased shipments to Hong Kong and the Netherlands – largely for re-export to the Far East. Bacon, sausages and processed meats all showed decreases in export volumes, largely due to decreasing demand from Ireland, which is one of the primary destinations for these products.

FEED MARKET

At the beginning of September, international grain prices were pressured on expectations of strong harvests in the US and Black Sea regions. Furthermore, the International Grains Council (IGC) increased their forecast of global grain output by 23Mt from July; output is now pegged at a record 2,069Mt. In response, UK feed wheat futures fell £3.65/t between 30 August and 6 September.

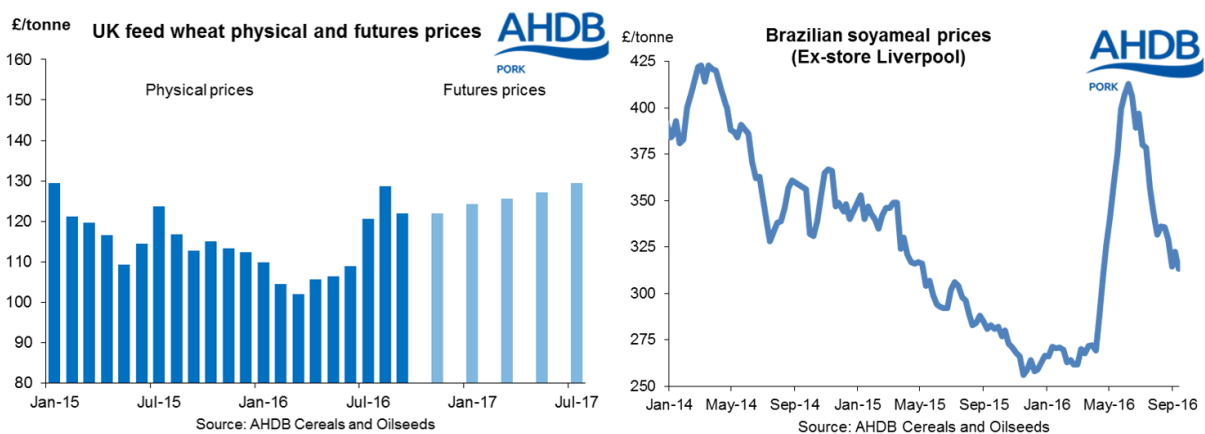
In early September, the Russian government announced a zero percent tax on Russian wheat exports. With Russian wheat supplies particularly competitive in the global wheat market and another record crop predicted (72Mt, USDA), this news added further pressure to an already heavy market.

Going into the middle of the month, grain markets fell relatively quiet in anticipation of the updated USDA world agriculture supply and demand estimates (WASDE) on 12 September. The main area of interest in the lead up to the updated estimates was maize with many expecting cuts to US yields. The USDA did cut maize yields from 10.99t/ha to 10.95t/ha. However, with US maize markets falling by \$3.74/t (Dec-16) between 12 and 13 September, this suggests that traders had factored in a sharper cut in yields in the run up to the release. US Maize production is now forecast at 383.4Mt, down 1.5Mt on last month's forecast, but still a record high.

Towards the end of September, UK feed wheat futures were given a boost by falls in the value of the pound. Sterling dropped from £1= €1.1897 on 1 September, to £1= €1.1569 on 23 September. In response to declines in currency, Nov-16 UK feed wheat futures rose £3.60/t over the same time, to close at £126.70/t on 23 September.

Protein markets, like grain markets, have also seen varied price movements across the month, largely driven by the changing dynamics of the US soyabean market. On 23 September, Nov-16 Chicago soyabean prices settled at \$350.91/t, \$1.56/t up from 30 August but \$12.77/t lower than the monthly high of \$363.67/t on 20 September.

In response to the weak rapeseed harvest in the EU, the publication Oilworld (www.oilworld.de) revised down its global rapeseed production forecast for 2016/17 to an eight-year low of 60.6Mt. The downward revisions, which were echoed later in the month by Strategie Grains, suggest a tight year for rapeseed is likely.



The soyabean market did receive a mid-month boost, as weather concerns in the US, combined with increased demand levels, became the focus of soyabean market. In response, soyabean prices climbed to settle at \$360.14/t on 9 September.

Delivered rapeseed prices followed the trend of oilseed futures over the month, with prices (spot delivery) into Erith falling £6.50/t between 26 August and 16 September. However, like grain markets, delivered rapeseed values also received a boost towards the end of the month. With a lack of forward demand, purchasers have been giving support to spot prices, closing up at £327.50/t on 23 September.

CONSUMPTION

In the 12 weeks to 14 August, the amount of pork purchased was down on a year earlier, according to the latest data from Kantar Worldpanel. Volume sales of fresh/frozen pork sold decreased by 1% on the same period a year earlier, even though the average price was back 9%. This led to a decrease in value sales of 10% over the period. Shoulder roasting joints and leg roasting joints bucked this trend, and showed an increase in volume sales of almost 3% and 10% respectively on the same period last year. However, this was at the expense of value, with the average unit price of these cuts back 16% and 8%. While volume sales of pork belly largely stood on, there was less sold across all the other cuts in this period, with marinades and pork ribs recording the largest losses of 11% and 18%, respectively. Chops/steaks sales declined by just under 1%, with loin roasting joints down 5%.

Bacon sales recorded a decline of just under 1% in the 12 weeks to 14 August, but had fallen by almost 4% in the four-week period to the same date. While sausages and ham sales also dropped over the 12 weeks, in the shorter-term view, they remained static and increased slightly, respectively. Sausage roll volume sales remained static in the 12-week view, but in the shorter term increased by 6%.

The producer's share of the retail pork price recorded increased marginally in August, reaching 36%, the highest share for the past 18 months. This was 1 percentage point greater than both the previous month and the same point last year. However, this still remains significantly behind the 40% plus share of retail price producers were enjoying back in 2014. The increase in producers share has been assisted by the continued recovery of GB pig prices at a time when the retail price has remained largely stable.

The rise in retail pork prices in August was largely due to higher prices for loin chops (+4%). Other cuts experienced a 1% increase, with the exception of pork fillet, loin steaks and diced pork, which stood on. Over the longer term, boneless leg and minced pork both increased by 2% and pork fillet increased by 1%. However, most other cuts fell in price. The biggest fall was with traditional pork sausages which were down by 4%; boneless shoulder, loin steaks, loin chops and diced pork all fell by 3% versus August 2015, while fillet end leg decreased by 2% over the same period.

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

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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