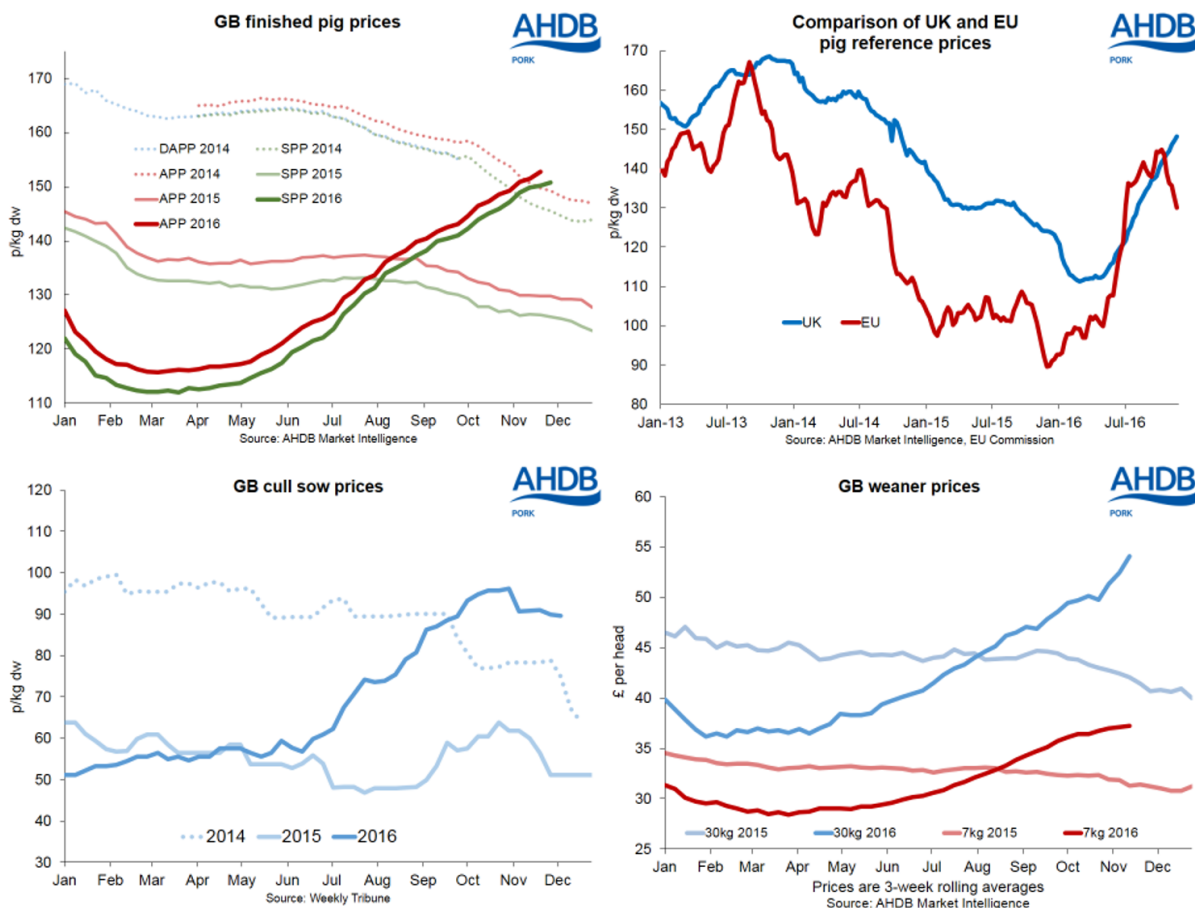


UK PRICES

GB pig prices continued to rise during October. The monthly average EU-spec APP climbed 5.33p on the previous month to reach 147.26p/kg, the highest since December 2014. Further weakening of sterling against the euro and the dollar provided support to price competitiveness, on both domestic and export markets, during this period, boosting demand. Tightening production has also supported pig prices. The price has continued to climb in more recent weeks, reaching 152.46p/kg and overtaking the two-year earlier figure for the first time, during week ended 12 November.



The SPP also increased during October, climbing 4.93p on the previous month to average 144.84p/kg. The figure has since increased further, standing at 150.74p/kg for week ended 26 November. This is the highest price since October 2014 and stands almost 25p more than during the same week last year. The gap between the APP and the SPP fluctuated somewhat during October, but decreased overall. It subsequently continued to narrow to 1.60p for week ended 19 November, the smallest it has been since June 2014, before widening again.

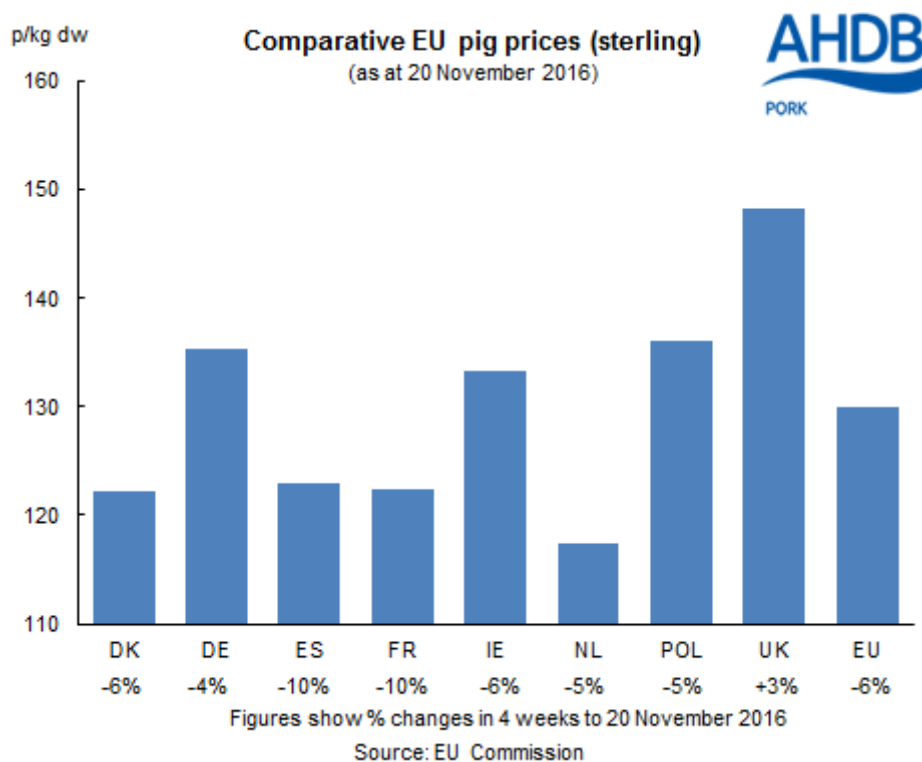
Average carcass weights showed a seasonal increase during October, with the APP sample rising by half a kilo on the previous month to stand at 82.16kg. This is on par with the year-earlier weight and remained virtually static moving into November. In contrast, the SPP sample weights have been trending above year earlier levels and continued rising over the first three weeks of November. The currently high pig prices may be encouraging producers to finish standard pigs at higher weights in order to maximise returns.

Both categories of weaner also saw price increases in the GB market during October. The 7kg weaner price rose by £1.73 on the previous month to stand at £36.62/head. Meanwhile, the 30kg weaner price saw an increase of £2.25 to £49.65/head. These price levels were last seen during autumn 2014.

EU PRICES

The EU-average pig reference price continued to fall over the past four weeks, declining by just over €4 to stand at €150.86/100kg for week ended 20 November. Yet, with more significant price falls occurring during this period last year, the latest price was over €20 more than the equivalent 2015 figure. A seasonal increase in supplies has likely been behind the recently falling prices. However, with the strong Christmas demand period fast approaching and key producing states' breeding herds reported back in June, some upturn in prices could still be anticipated in the coming weeks.

In euro terms, an upturn in price has recently been seen by the dominant producing nation, Germany. Though the price fell to its lowest level since June for week ended 30 October, it has subsequently increased by €1.49 to stand at €157.03/100kg for the most recent week. A smaller price incline has also been recorded by the Netherlands, and more recently Spain. While Poland has continued to show price decreases, other key producing states such as France and Denmark have seen prices stabilise in the past week, suggesting a revival may be on the horizon.

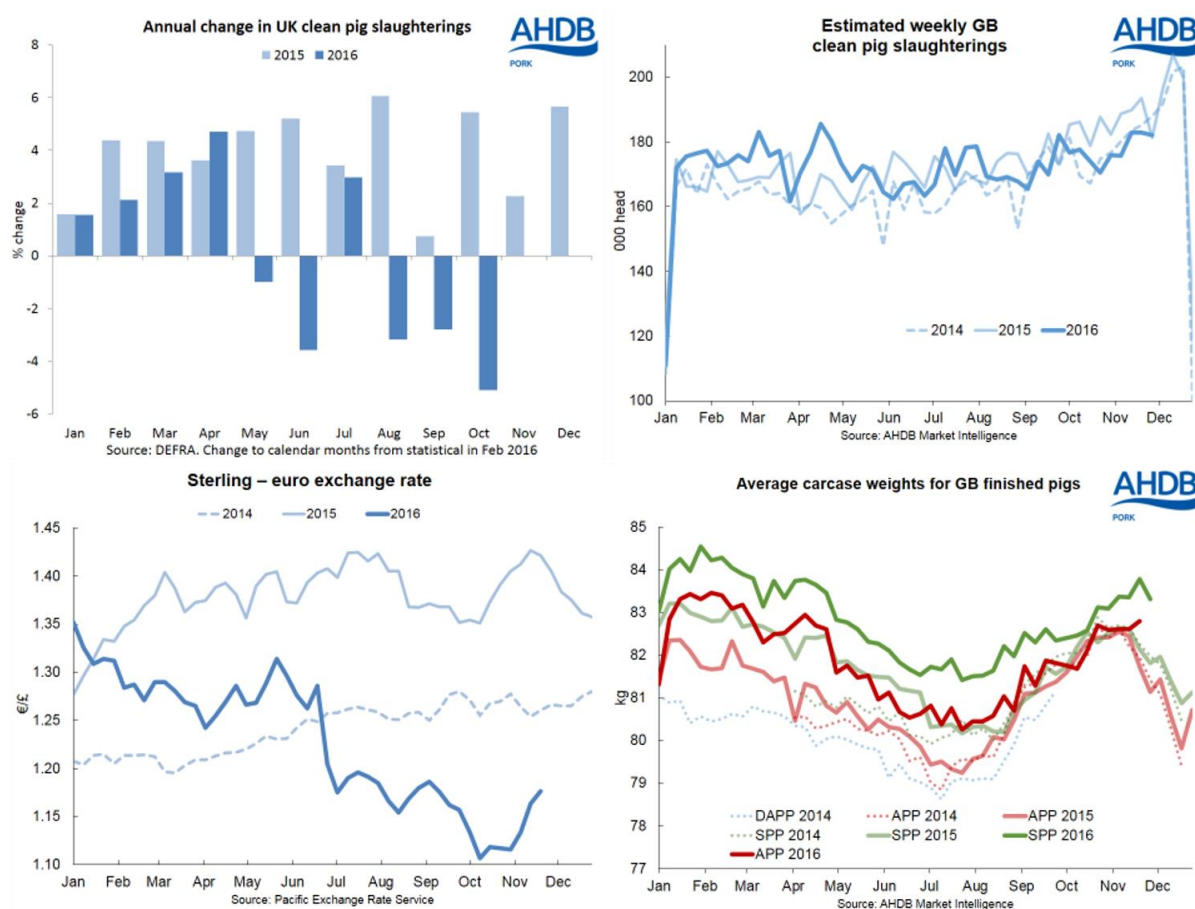


Whilst the EU reference price has been in decline, the UK figure has continued to increase, buoyed by strong global competitiveness and tightening supplies. Consequentially, the UK average reference price has been above the EU level for the past five weeks and the price premium has been widening, aided by some recovery in the value of the pound. In sterling terms, the most recent UK figure for week ended 20 November is over 18p/kg more than the EU average price. This is the largest price premium since January.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

According to the latest figures released by Defra, at 865,100 head, UK clean pig slaughterings were back 5% during October compared to the month last year. This allows for adjustments to the 2015 data to

account for the change in reporting methodology adopted by Defra earlier this year. This was the third consecutive month of falling throughputs. With UK pig prices remaining buoyant, a reduction in slaughtering backs up reports of tightening supplies.



Sow slaughtering was also reportedly back by 11% on the adjusted year earlier figure during October, at 18,900 head. The extent of this decrease may partially be self-adjustment, following from the small increase in slaughtering seen during September, relative to 2015. However, with the market situation currently positive, it would be anticipated that producers will be maintaining their breeding herds.

Total UK pig meat production during October 2016 totalled 73.5 thousand tonnes - a 5% decrease on the adjusted 2015 figure. This is the sharpest rate of year-on-year decline in output for any month since April 2009.

During September, UK pork export value was up 16% on the year, reaching £21.7 million. This increase occurred despite volume being down 9%, at 16.4 thousand tonnes. A 26% rise in average unit prices supported total export value, aided by the weak pound which shielded most importing nations from rising prices. In euro terms, the price was only up 7%.

Shipments to China during September showed no growth on the same period in 2015, the first month for a year of no expansion. Exports to Denmark and the Netherlands, likely for re-export, and Hong Kong were back 20%, 22% and 37%, respectively. Offal exports were also down 14% on the year, as shipments to China fell back. A decline in UK production will also be limiting supplies available for export. Conversely, there was a 12% rise in UK pork exported to Germany, reflecting increased sow slaughtering during September. Processed product and sausage exports also countered the general decline. Increased competitiveness as a result of the weak pound likely influenced these trends.

Imports of pork continued the trend seen in recent months, rising by 26% on September last year to 38.5 thousand tonnes. This was again driven by Danish imports almost doubling and now accounting for almost 40% of total imports. German volumes were also up, by 28% on the year. The weak pound and sharply rising unit prices meant that import value was up ahead of volume, rising 47% on 2015 to £73.7 million.

Volumes of other pig meat products imported were slightly lower than a year earlier, although higher unit prices meant they were up in value terms. Bacon imports fell by 2%, despite an increase in Danish volumes. Sausage shipments were lower by 8%, mainly due to decreases from Germany and Ireland. Other processed imports did rise slightly, boosted by a 40% rise in Irish supplies.

FEED MARKET

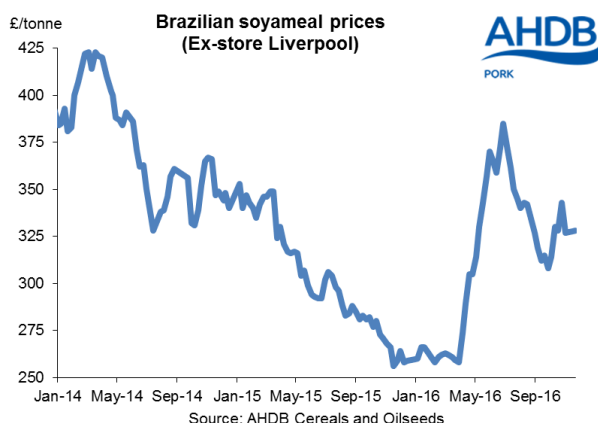
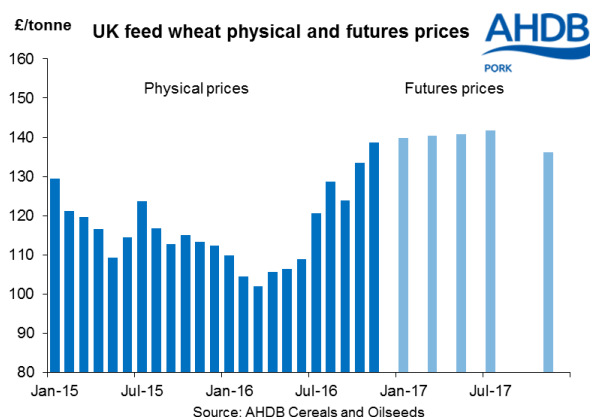
UK feed wheat futures (nearby) over the past month (21 Oct- 22 Nov) have increased by 4% in sterling terms. A couple of factors have contributed to the rise, including currency movements and the tighter UK supply and demand situation. This has prevented UK prices from tracking the declines recorded in global markets.

Looking at UK prices in US dollar terms, prices have also risen by 6% over the month. However, other global grain futures have decreased over the same timeframe; for example, Chicago wheat futures (nearby) fell 2%. The implication is that the UK could become less competitive on the global market, which trades in dollars.

The final results of the AHDB Cereal Quality Survey indicate good quality wheat this season. A substantial 45% of samples of nabim Group 1 varieties hit a typical bread wheat specification, the highest since 2003. A higher quality domestic crop this season could encourage UK millers to use more domestic wheat, displacing imports. With a greater proportion of milling wheat varieties also planted, more of the UK crop is going into milling uses.

The record global maize supplies this season are increasing the competitiveness of maize prices in the UK feed market. In contrast, the relatively tight UK wheat crop combined with good quality is reducing the pressure for UK wheat to look for feed demand this season. The relative price of imported maize to UK feed wheat may well impact usage decisions for both animal feed and bioethanol.

As a result, UK feed wheat prices have risen to their narrowest discount to imported maize for nearly a year. Delivered feed wheat prices into East Anglia were £137/t (18 Nov), only £10/t lower than imported maize. Normally, French maize values would be a key influence on the UK market but recently other origins (including Argentina, Ukraine, Canada, Russia and the US) have been important for the market.



Protein prices over the past month have dropped slightly, with hi-pro soyameal (spot, ex-store East Coast) reported at £306/t on 18 November, down £8 compared to 14 October. Paris rapeseed futures (May-16) dropped 4% over the month (21 Oct-22 Nov), in sterling terms, to £340.84/t. However, over the same period Chicago soyabean prices (May-16) saw a 2% increase to £309.09/t.

Soyabean prices have been seeing support in recent weeks, despite the huge US soyabean harvest, due to strong export demand, especially from China. Total commitments of US soyabeans to China reached 22.5Mt (12 Nov), which is 4.8Mt higher than the same point this time last year.

In September, the UK imported a total of 14.3Kt of rapeseed and only exported 2Kt, making it a net importer during the first month of post-harvest trade. This was the largest monthly net imports since December 2013. It is likely that this situation will be a continuing trend for the rest of the season, as supplies are brought in to meet crushing demand. In terms of prices, in September delivered rapeseed prices (Erith) were at a premium to delivered Hamburg values, reaching £8/t higher in early September, making imports more attractive. Since then, the premium has narrowed slightly but still UK rapeseed delivered prices are around £5/t above Hamburg (11 Nov).

The focus for oilseed markets, in particular soyabeans, has started to swing towards South America. Soyabean planting has begun with good conditions seen in Brazil. However, Argentina has not seen as good a start; wet weather has caused delays to planting and there is a risk that the optimal planting window will be missed. Given South America's importance to global soyabean supplies, weather conditions in the region will be closely watched over the coming months.

CONSUMPTION

Expenditure on retail pork purchases was down 13% compared with a year earlier for the 12 weeks ending 9 October, according to latest data from Kantar Worldpanel. This was driven by an 8% decline in volume sales, despite a 5% cut in average price paid. Additionally, there was a drop in numbers of people buying into the category, and those who did buy pork, bought less.

Pork volume sold on promotion was lower than a year ago, except for a slight increase for chops/steaks as levels of Y for £X deals continue to fall. Pork volume and value sales were in decline across all cuts, led by pork leg and shoulder roasting joints. Switching data shows that people moved from pork mainly to fresh chicken and chilled convenience products. However, pork did make gains from fresh lamb in this period.

The amount spent on bacon also continued to decline; it was down 9% year on year due to a small fall in amounts purchased and an 8% drop in average retail prices. Levels of retailer promotional activity were down year on year, with temporary price reductions continuing to rise but less Y for £X deals. Value sales of sausages were down 4%, predominantly coming from lower retail prices which also fell by 4%, alongside declining amounts purchased per trip. Premium sausages did show slight growth, with a 3% increase in amount sold and a 1% rise in spend. Expenditure on sliced cooked meats was almost unchanged for the 12-week period but ham was down 1%, with retail prices unchanged year on year but quantity bought down 1%.

Producers' share of retail pork prices continued to increase during October, rising 2 points on September, to 39%. This is on a par with levels from late 2014 and a substantial 4% higher than year earlier figures. Retail prices continued to remain static during October- 1% lower than the month in 2015, so further increases in GB pig prices were responsible for raising the producers' stake in retail pork prices. However, competition between retailers has led to a reluctance to pass this on to consumers.

Trends in retail meat purchases (period ended 09 October 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	-1	-6	-5	+1	-2	-4
Pork	-7	-13	-7	-8	-13	-5	-3	-10	-7
<i>Belly</i>	-4	-13	-9	-5	-10	-6	-4	-7	-3
<i>Chops/Steaks</i>	-1	-12	-11	-4	-13	-9	-1	-10	-8
<i>Leg Roasting Joint</i>	-1	-6	-5	-19	-18	+2	-7	-15	-8
<i>Loin Roasting joint</i>	-17	-25	-9	-2	-11	-10	+1	-10	-11
<i>Shoulder Roasting joint</i>	-16	-12	+5	-17	-21	-5	-3	-13	-10
<i>Marinades</i>	-28	-28	+1	-13	-12	+1	-0	+4	+4
<i>Ribs</i>	-17	-13	+5	-20	-15	+7	-17	-12	+5
<i>Mince</i>	+4	-10	-14	-8	-12	-5	-8	-12	-4
Bacon	+3	-6	-9	-0	-9	-9	-2	-9	-7
Beef	-0	-7	-7	-2	-6	-4	+1	-1	-2
Lamb	-19	-17	+2	-12	-11	+1	-2	-1	+1
Poultry	+2	-3	-5	+1	-3	-4	+2	-1	-3
Processed products									
Pork Sausages	+3	-3	-5	+0	-6	-6	-3	-8	-5
Fresh Pre-packed Pork Pies	-11	-4	+7	-2	+4	+5	+4	+3	-1
Fresh Pre-packed Sausage Rolls	+0	+1	+1	+4	+6	+2	+3	+3	-0
Pork Sliced Cooked Meats	-1	-1	-0	-0	-0	+0	-2	-4	-2
Pork Chilled Ready Meals	-3	-0	+3	-3	+1	+5	+1	+2	+1

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

This pig meat sector UK market update was prepared by:

Bethan Wilkins and Stephen Howarth

AHDB Market Intelligence

Phone: +44 (0)24 7647 8757/8856

e-mail: Bethan.Wilkins@ahdb.org.uk, Stephen.Howarth@ahdb.org.uk

Twitter: @AHDB_Pork #PorkMarketNews

While the Agriculture and Horticulture Development Board seeks to ensure that the information contained within this document is accurate at the time of printing, no warranty is given in respect thereof and, to the maximum extent permitted by law, the Agriculture and Horticulture Development Board accepts no liability for loss, damage or injury howsoever caused (including that caused by negligence) or suffered directly or indirectly in relation to information and opinions contained in or omitted from this document. AHDB Pork is part of the Agriculture and Horticulture Development Board. © Agriculture and Horticulture Development Board 2016. All rights reserved.