

## In this issue

### Comparing APP and SPP

As would be expected, of AHDB's two weekly pig prices, the APP, which includes 'premium pigs' is higher than the SPP. However, the gap between the two has fluctuated and has narrowed in recent months. One other recent development is some divergence in trends in carcase weights. While the average weight in the SPP sample remains around a kilo above last year's levels, the average weight in the APP sample is now only fractionally above the same point last year. So what is behind these trends? Find answers to this question on **page 4**.

### Changing consumer tastes

Global travel and population diversification have influenced the types of foods British consumers eat. They are long-term trends that continue to affect our industries. With more and more choice, consumers need inspiration to keep industry products relevant. To read more about how the types of meals which consumers are eating is changing and what it means for pork and other meats, turn to **page 5**.

### China

In the past 18 months, China has become an increasingly important destination for global pig meat exports. With Chinese imports more than doubling so far this year, USDA anticipates that volumes will reach a record 2.4 million tonnes (carcase weight equivalent) this year. Though imports were expected to be elevated, growth has far exceeded earlier expectations. But, as the Chinese pig sector continues to restructure, will increased efficiencies ultimately reduce the need for foreign imports? And if so, when? Read our analysis of the latest developments affecting the Chinese market on **page 7**.

### Denmark

As the UK's leading supplier of imported pig meat, developments in Denmark are always of interest to the domestic industry. In common with the rest of Europe, Danish pig producers experienced a period of very low prices in late 2015 and early 2016. The impact of this is apparent in a drop in the Danish breeding herd and reduced output from the sector. Nevertheless, exports have held up so far this year, boosted by strong sales to China. You can find out more about the Danish situation on **page 8**.

## CONTENTS

## Pages

- UK Market Snapshot 2/3
- UK Market Analysis 4/5
- EU Market Snapshot 6
- Global Market Analysis 7/8
- Feed Market 9
- In Brief 10

## Key data

	Nov-16	Change since Oct-16	Change since Nov-15
Average GB carcase weight - kg	82.63	+0.47	+0.66
30kg weaner price - £/head	53.93	+4.28	+12.46
7kg weaner price - £/head	37.37	+0.75	+5.91
GB APP (Euro-spec) - p/kg dw	152.08	+4.82	+22.17
GB SPP (Euro-spec) - p/kg dw	149.92	+5.08	+23.67
EU Reference price - €/100kg dw	151.55	-6.46	+19.40
UK Reference price - €/100kg dw	170.06	+9.72	-5.70
UK weekly clean pig kill - 000 head	211.9	+3.7	-10.1
UK weekly pig meat production - 000 tonnes	18.3	+0.6	-0.6
UK pork imports - 000 tonnes*	42.7	+2.8	+8.6
UK bacon imports - 000 tonnes*	21.6	+0.4	-1.3
UK pork exports - 000 tonnes*	15.5	-1.8	-2.0
Retail pig meat sales - 000 tonnes†	53.1	+1.9	-0.1
LIFFE feed wheat futures - £/tonne	138.68	+5.22	+25.37
CBOT Soyameal futures - \$/tonne	313.61	+7.78	+23.00

\* Figures relate to October 2016  
 † Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 6 November 2016

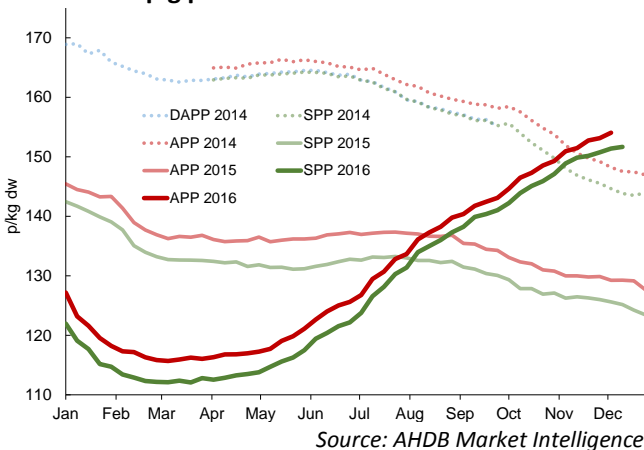
Interested in data? Get more detail about these and other areas from the [AHDB Pork website](#)

We are now on Twitter. For regular updates about the UK pig market and related publications, follow us @AHDB\_Pork #PorkMarketNews

## UK Market Snapshot

The upward march of GB pig prices continued in November, with little change in the factors driving the market. The monthly average EU-spec APP of 152.08p/kg was almost 5p higher than the previous month and the highest since October 2014. The average price has now risen for eight straight months, adding over 36p over that period. Although the pound regained some ground against the euro during the month, it remained well below its pre-referendum level. This helped support prices by driving export demand, while pig supplies remained well below last year's level.

### GB finished pig prices

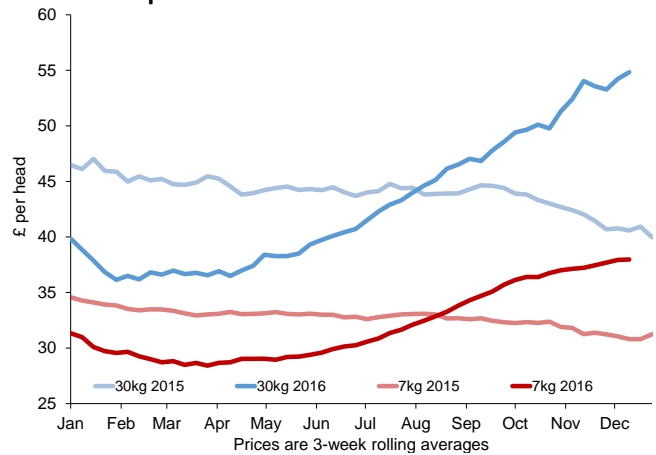


A similar movement was seen for the EU-spec SPP, which rose by a fraction over 5p to 149.92p/kg in November. Both prices series continued to increase into December, although the weekly movements were smaller than for much of the year. The SPP had reached 151.66p/kg by week ended 10 December, nearly 27p up on the same point in 2015.

As is usually the case, carcase weights reached a seasonal peak in November. The average weight in the APP sample stood at 82.63kg, around half a kilo up on October's figure and about two-thirds of a kilo more than a year earlier. Weights normally begin to fall from mid-November and, while that has been the case this year, the decline has been smaller than usual. This suggests fewer pigs may have been marketed early in advance of Christmas, possibly because of the tighter supplies this year. It remains to be seen whether this will have an impact on the number, and price, of pigs available post-Christmas.

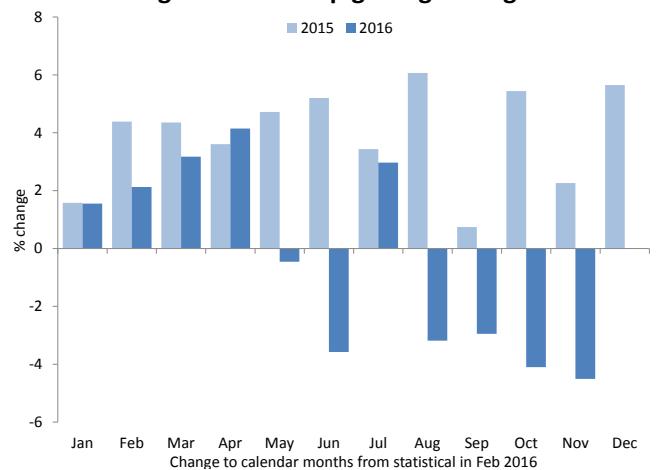
Weaner prices have been following the upward trend of the finished pig market this year and that pattern continued in November. The monthly average price for 7kg weaners rose by less than a pound to £37.37 per head, around £6 up on a year earlier and the highest monthly figure since September 2014. The 30kg store pig price saw an even bigger jump, rising by over £4 to £53.93 per head, over £12 up year on year and the highest since July 2014. Reports suggest that spot prices for weaners have been particularly high, implying that little upturn in finished pig numbers can be expected in the short-term.

### GB weaner prices



UK clean pig slaughterings remained well below last year's level in November, according to the latest figures from Defra. The monthly total of 932,200 head was almost 5% lower than the same month last year, once figures are adjusted for the change in reporting periods introduced earlier this year. This is the largest year-on-year fall recorded so far in 2016, and indeed the largest since mid-2009, but represents the fifth substantial decline in the last six months. This is the legacy of the contraction of the breeding herd driven by low prices a year ago, coupled with some reports of increased disease pressure affecting productivity.

### Annual change in UK clean pig slaughterings



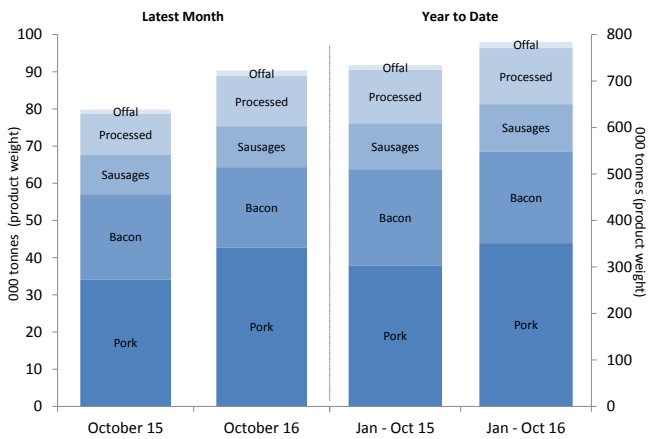
In contrast, sow slaughterings were higher than a year before, after adjustment, by 4% at 22,600 head. However, this follows a sharp fall in October, so shouldn't be interpreted as a significant rise. Having been similar to a year earlier in the previous month, carcase weights returned to the upward trend recorded for most of the year and were around a kilo heavier, on average, than in November 2015, at 82.7kg. This partly offset the lower clean pig numbers but pig meat production was still 3% below last year's level on a like-for-like basis, at 80,400 tonnes.

As has been the case in recent months, pork imports continued to be above year earlier levels during October.

# UK Market Snapshot

At 42.7 thousand tonnes, volumes were up 25% relative to 2015. This was again largely driven by Danish shipments, which the data suggests almost doubled relative on the month last year, while volumes from Germany also rose by 10%. The weakness of the pound and rising unit prices meant the total value of these shipments rose by almost 50% relative to 2015, reaching £83.5 million. The value of all other pig meat products imported was also greater than a year earlier, even though bacon shipments were back on the previous year in volume terms.

## UK Pig Meat Imports

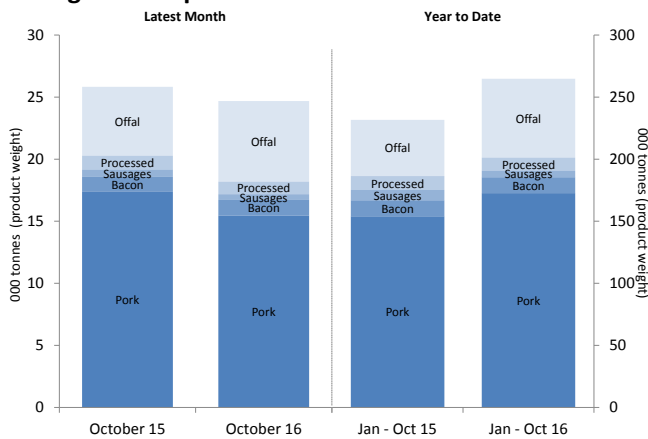


Source: Her Majesty's Revenue & Customs

The value of UK pork exports was up on the year yet again during October, climbing by 13% to reach £21.4 million. As for the previous month, this increase occurred in spite of declining export volumes, which were down 11% relative to 2015 at 15.5 thousand tonnes. The UK continued to exploit the weaker value of the pound, as higher unit prices in sterling terms were less notable in stronger currencies such as the euro.

A significant 32% decline in shipments to Germany, relative to the month last year, was key to driving the overall fall in export volume. Ireland also took 9% less during this period, while the Netherlands saw a 26% decline in shipments. With UK production 5% behind year earlier levels during October, including an 11% fall in sow slaughterings, limited supplies likely restricted exports to these markets.

## UK Pig Meat Exports



Source: Her Majesty's Revenue & Customs

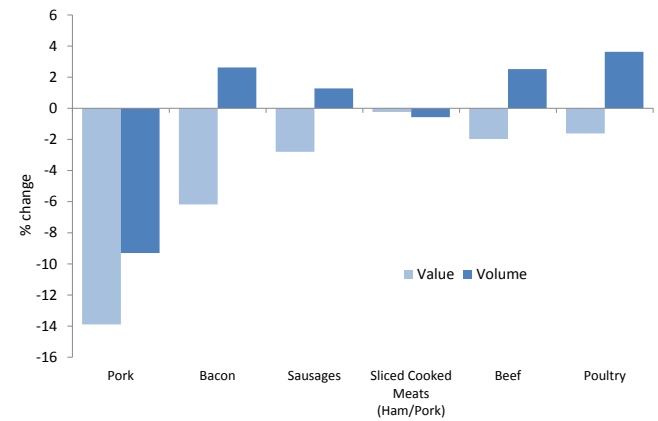
Conversely, shipments to China grew again after being static on the year during September. A relatively modest 18% year-on-year increase in exports was seen, despite increasing competition from cheap US and Brazilian product. Similarly, offal shipments showed positive growth again; value was up 65% on October 2015, with growth being driven equally by the Chinese and Hong Kong markets.

Bacon exports were also positive during the month, increasing in volume by 8% and value by 13% relative to the October last year. Shipments to France more than doubled on the year, likely spurred by price competitiveness. However, exports of sausages and other processed pig meats declined relative to last year.

The amounts of bacon and sausages purchased from retailers in the 12 weeks to 6 November were higher than a year before but pork sales were still depressed. These were among the results of the latest data from Kantar Worldpanel.

The amount spent on fresh/frozen pork during the period was down 14% year on year, continuing the declining trend of recent months. The amount sold fell by 9%, compared with the same period last year, despite prices being 5% lower. All pork cuts were affected to a greater or lesser extent. Pork volumes were affected by consumers switching to chicken and beef, both of which sold in increased volumes during the period. Lower prices continue to be apparent across the meat sector, with the exception of lamb, which also lost out compared with 2015.

## Annual percentage change in retail meat purchases (12 weeks to 6 November 2016)



Source: Kantar Worldpanel

Although volume sales of bacon and sausages were up on a year before, lower prices meant that spending on these categories was also down. A 9% drop in bacon prices meant a fall in spend, despite a 3% growth in the amount purchased. A smaller discount for sausages was enough to turn the 1% volume increase into a 3% value decline. Sales growth accelerated for both bacon and sausages in the latest four weeks. Purchases of sliced cooked meats, mainly ham, were little changed in either volume, value or price.

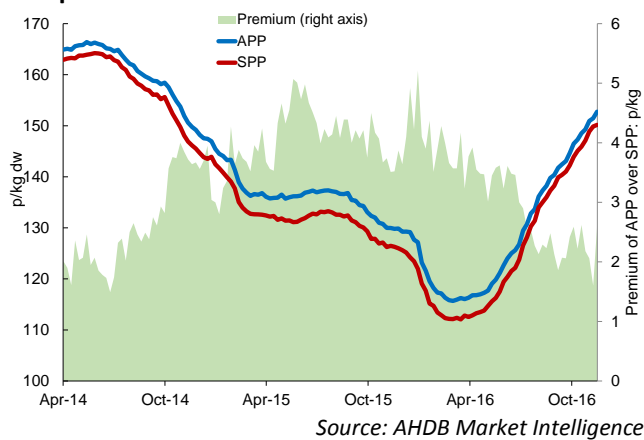
# UK Market Analysis

## Comparing APP and SPP

Since April 2014, AHDB has been publishing two weekly prices for finished pigs. The APP is a simple average price for all pigs slaughtered during the week and is based on data collected from the sellers of pigs (producers and marketing groups). The SPP excludes any pigs for which a premium is paid due to the production system (e.g. outdoor-bred) or breed. SPP data is collected from the buyers of pigs (i.e. processors). Both series have similar sample sizes, typically between 80,000 and 90,000 pigs per week. This is a little under half the national kill but a much higher proportion of those eligible for price reporting, which excludes pigs owned by processors, for example.

As would be expected, the APP, which includes 'premium pigs' is higher than the SPP. However, the gap between the two has fluctuated. In the early months of the two series, when prices were relatively stable, the gap was only around 2p/kg. As prices began to fall from the summer of 2014, the gap between the two series increased, spending most of the next two years fluctuating around 4p/kg. However, as prices turned from the spring of 2016, the gap began to fall again and has recently been back to around 2p/kg.

### Comparison of APP and SPP



So what is behind this trend? Essentially, two factors influence the size of the gap between the APP and SPP. The most obvious is the level of the additional payment received for 'premium pigs'. However, the proportion of pigs in the premium category also matters. If the size of the additional payment for premium pigs stays the same then the gap will fall if there are fewer of them and rise if there are more.

However, an examination of data shows that, despite some changes to which pigs are treated as 'premium pigs' over time, the proportion falling into this category hasn't changed much, at least since the autumn of 2014. They typically make up around a quarter of pigs slaughtered each week. This implies that the shifts in the gap between the APP and SPP must be down to changes in the size of the additional payment for premium pigs.

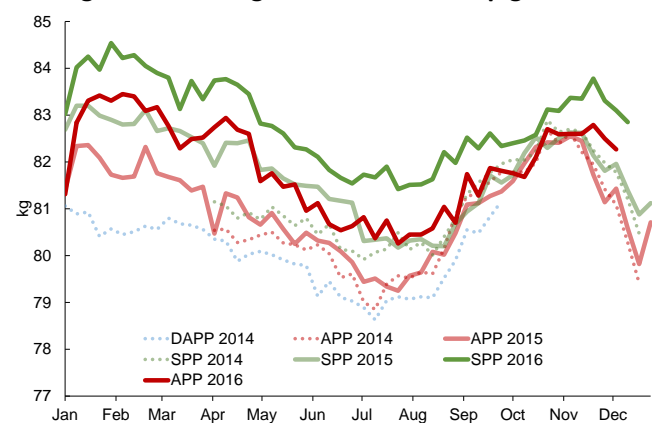
Analysis of the price reporting data confirms that this is, indeed, the case. The average price premium paid for 'premium pigs' rose through 2014 before stabilising at a relatively high level through most of 2015. It increased even further in early 2016 but has since dropped dramatically.

The explanation for this pattern is likely to be the impact of the spot market. Although only a relatively small proportion of pigs are now sold via this route, spot prices do have some influence on contract prices too. At times of a falling market, spot prices are normally reported to be well below contract prices. The reverse is true on a rising market.

As almost all premium pigs are sold on contract, these spot prices will mainly affect standard pigs. The net result is that standard pig prices are typically inflated relative to premium prices when values are rising and reduced when the market is falling. This is exactly the pattern which has been observed since the introduction of the APP and SPP in 2014.

One other development which has become apparent in recent months is some divergence in trends in carcase weights. For most of the year, the average weight for both SPP and APP samples have been around a kilo above last year's levels. However, while this remains the case for the SPP, the average weight in the APP sample is now only fractionally above the same point last year.

### Average carcase weights for GB finished pigs



This suggests that the recent growth in carcase weights has largely been down to rises for standard pigs. This is confirmed by analysis of the data, which shows that, although premium pig weights vary seasonally in a similar way to those for standard pigs, there has been little upward movement overall. In contrast, standard pig weights have been rising steadily.

This analysis demonstrates that, while the markets for standard and 'premium' pigs follow similar trends, there are some different influences on them. With the end products from these pigs also being marketed differently, it may become increasingly important to understand the contrasts between them as well as the similarities.

# UK Market Analysis

## Pork losing out in rise of international cuisines

Global travel and population diversification have influenced the types of foods British consumers eat. They are long-term trends that continue to affect our industries. With more and more choice, consumers need inspiration to keep industry products relevant.

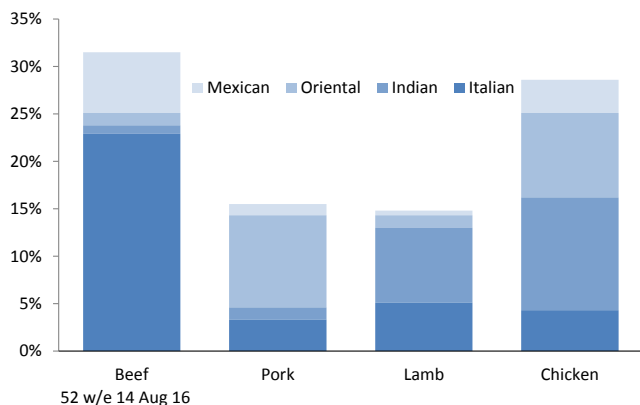
British consumers are still most likely to opt for traditional British meals or protein-centered dishes (like meat, potatoes and vegetables) over ethnic/world cuisines. But the lines are blurring and there are new traditions. The Italian roots of meals such as pizza and Spaghetti Bolognese are often forgotten about as they become part of the standard meal repertoire. Indian and Chinese cuisines are also staples; according to Mintel, 78% of consumers ate Indian food in the past three months, and 73% ate Chinese.

The trends continue to move in this way; compared to two years ago 'Meat and two veg' type options are down over 2% while ethnic and continental dishes are up almost 5%. This long-term shift has come from increased population diversification and travel. The non-UK born population has not only grown, to around 13 per cent of the total population according to the ONS, but it has also diversified.

Beef has no doubt benefited from both long-term and more recent changes in cuisine preference. Italian cuisine alone accounts for almost a quarter of all meal occasions featuring beef, with the majority of this being Spaghetti Bolognese (even though the original dish would have used pork mince). Mexican meal options also give a boost to beef consumption, accounting for 6% of meal occasions.

Beef's strong association with these types of dishes isn't replicated for pork (or lamb) but it is for chicken. Almost half of all Indian dishes feature chicken and the taste perception of chicken is, no doubt, boosted by its association with dishes such as this, rather than the actual flavor of the meat. This dish association, particularly for pork, is something the sector ought to strive for, positioning it as a direct alternative to chicken.

### Non-British cuisines share of protein meal occasions



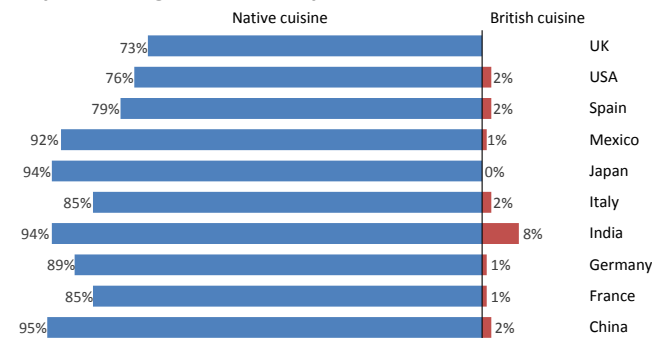
Source: Kantar Worldpanel Usage/AHDB

Food trends often start out in the foodservice sector, the rise of street vendors now means consumers are increasingly being exposed to new cuisines from around the world. Research from Mintel shows that trying a particular type of cuisine at a restaurant is cited as a reason for trying it at home by 425 of consumers who have eaten emerging international cuisines at home or would like to.

When it comes to trying it in-home, any experimentation needs to be low risk for consumers, so they don't feel like time, effort or money have been wasted. For manufacturers, there is interest in meal kits. For retailers, Mintel indicates that greater in-store cooking guidance would appeal to well over half of consumers who have eaten, or are interested in trying, ethnic food. As for what's new next, Korean and South American foods have enjoyed growing visibility in foodservice in recent years, with high interest among consumers in trying them also at home.

The interest in ethnic cuisines is not unique to the UK but it does differ globally. Chinese and Italian cuisines have the strongest global appeal, whereas British cuisine is not eaten frequently outside the UK. When comparing consumption of native cuisines, British consumers are some of the least likely to eat their native food on a regular basis. The UK and USA's regular consumption of other cuisines (particularly Chinese and Italian) is greater than other countries.

### Reported regular consumption of...



Source: Datamonitor/Canadean Consumer Survey Oct 2014, AHDB

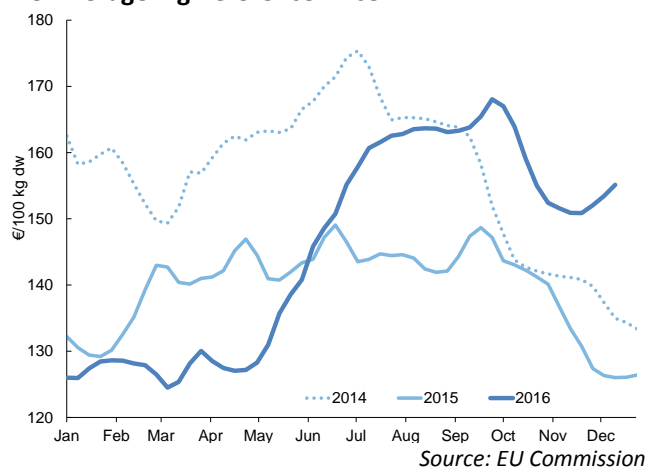
This highlights how vulnerable the British cuisine is on a global scale, given that it's not favored in other countries. Even at home, we are more likely to choose other cuisines than consumers in other countries are. It's important that the red meat industry continues to highlight the versatility of its products, to provide inspiration and innovation for them to be used in a range of modern, contemporary dishes.

Developments in consumer markets, both at home and abroad, are key drivers of demand for pig meat. A range of articles about trends can be found on the Consumer Insight section of AHDB's website. The site, which can be accessed by [clicking here](#), also provides links to key market data and copies of AHDB's Consumer Insight newsletter.

## EU Market Snapshot

The declines seen in the EU average pig price since September came to an end in the past four weeks, with a rise of just over €4 to reach €155.12/100kg in the week ended 11 December. As prices were still falling this time last year, the gap between this year's and last year's prices has widened to over €29. This rise in prices is likely to be due to a seasonal rise in demand in the build up to Christmas, while supplies remain tight. However, with the Christmas procurement period coming to an end, prices could begin to come under more pressure in the coming weeks.

### EU Average Pig Reference Price



The German reference price saw larger than average increases during this period, up by €8 on four weeks previously. Price rises have also been seen in other major northern producers such as Denmark, the Netherlands and Poland. Prices in Spain strengthened in the most recent week but they remain lower than four weeks previously after earlier falls. French prices were static over the last month.

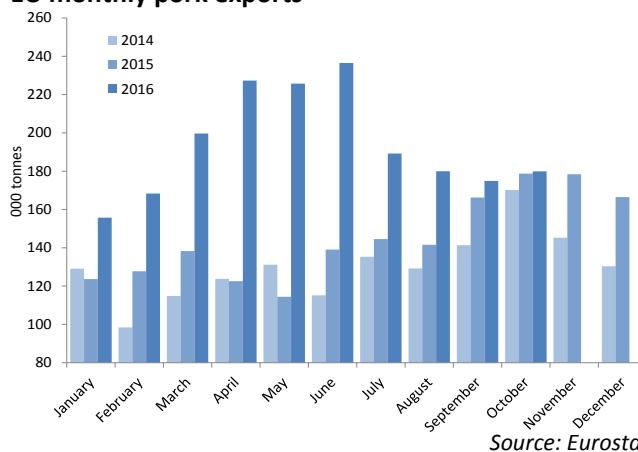
Prices in the UK have continued to increase in the past four weeks, with some recovery of the pound adding to the rises in euro terms. This has led the UK average reference price to remain above the EU price. In sterling terms, the most recent UK figure was over 19p higher than the EU average price. This is similar to the previous three weeks but otherwise represents the largest price premium since January.

EU pork exports showed only marginal year-on-year growth in October, increasing by just over 0.5% to 180,000 tonnes. Nonetheless, higher pig prices in 2016 translated into increased unit prices, so the value of pork exports during October climbing 11% on the year to reach €457 million.

Growth was restricted due to a drop in volumes shipped to the two main destinations: China and Japan. Chinese volumes were back 7% on last October, the first time shipments were below year earlier levels since January 2015. However, this was offset by increases to South Korea and Hong Kong, up 62% and 30% on the year respectively.

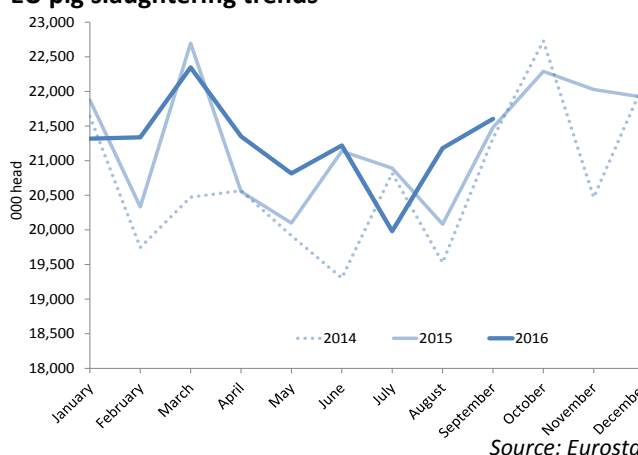
Conversely, offal exports continued to be above year earlier levels during October. China and Hong Kong spearheaded this growth and accounted for nearly 80% of the total. Though from a smaller base, shipments to the high-value Japanese market also more than doubled on the year. When coupled to higher average unit prices, this meant the overall value of EU offal exports during October was €167.5 million.

### EU monthly pork exports



Latest figures from Eurostat suggest a modest 0.5% rise in EU pig slaughterings during September relative to last year, reaching 21.6 million head. Though a like-for-like comparison, as September had the same number of working days in both years, the figure may have been influenced by different reporting periods in some Member States this year. A similar trend was also seen for pig meat production, which rose slightly ahead of throughput, by 0.6% to 1.93 million tonnes. This may imply a marginal increase in average carcass weights compared to 2015.

### EU pig slaughtering trends



Though the overall trend was for positive growth on the year during September, the majority of EU producing countries, including Germany (-3%), reported production as back on September 2015. Increased production was largely driven by a few key producing states, including Spain (+2%), Italy (+11%), and Poland (+2%). Denmark also recorded a sharp increase, but this follows a sharp decrease on the year for August, so is likely an example of different reporting periods being used in the two years.

## Global Market Analysis

### China - the gift that keeps on giving?

In the past 18 months, China has become an increasingly important destination for global pig meat exports. With Chinese imports more than doubling so far this year, USDA anticipates that volumes will reach a record 2.4 million tonnes (carcase weight equivalent) this year. Though imports were expected to be elevated, following the pig herd declining, growth has far exceeded earlier expectations. But, as the Chinese pig sector continues to restructure, will increased efficiencies ultimately reduce the need for foreign imports? And if so, when?

The Chinese government has set targets to modernise the pig sector between 2016 and 2020. To realise this aim, it is incentivising a move away from small/medium-sized, family-run production units and promoting the establishment of much larger operations. It is thought that these larger plants will be more efficient and better placed to invest in technical and genetic advances. It is also hoped that this restructuring will improve the health of the Chinese herd by enabling better control of the various swine diseases endemic in China.

Decreasing the environmental impact of production is another Chinese government goal. Regulations controlling where farms can be located and the disposal of waste have been introduced. Thousands of farms have been forced to close, particularly in areas close to large human populations, such as Beijing. With better access to capital, the government wants larger farms to relocate into less populated areas. However, so far the decline in pig operations has exceeded the rate of re-investment. This has led to an estimated 9% decline in pork production this year, relative to 2014's peak, to 51.9 million tonnes cwe.

This is contrary to many forecasts from early 2016, when it was thought Chinese pork production might increase slightly from a 2015 low. While tightening supplies have elevated pig prices, other factors have restrained expansion of production. Limited land availability in locations preferred by the government, is thought to be slowing development. Flooding in Southern China and outbreaks of PEDv are also cited as hampering progress.

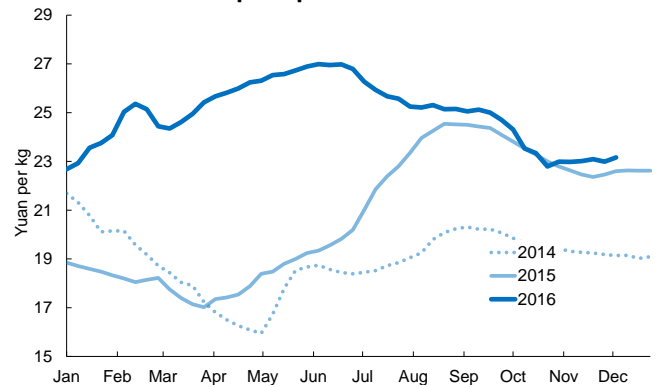
These limitations on domestic production have enabled the dramatic growth in pork imported this year. However, in recent months the rate of import expansion has slowed somewhat. At 115,000 tonnes, Chinese pork imports during October were "only" 43% higher than a year earlier but almost triple the 2014 figure. Comparatively, in August volumes were double the 2015 level and more than quadrupled on 2014.

Looking forward, the USDA are forecasting some growth in Chinese pork production next year, up by 4%. If correct, this would be expected to depress demand for imports, particularly if the increased supplies hit pig prices significantly. A rush to slaughter could result, leading to an influx of supplies in the latter half of the year. As such, some forecasts suggest imports could fall

by as much as 8% next year, though the USDA forecast a more modest 4% decline.

There is clearly some uncertainty regarding whether Chinese pork production might increase next year and, if so, by how much. It is worth noting that expansion was likewise predicted for 2016 but ultimately failed to materialise. Might growth similarly stall in 2017?

### Chinese wholesale pork prices



Source: China Ministry of Agriculture

Chinese pork prices need to be elevated in order to encourage investment but, although wholesale pork prices have been high all year, they have fallen back in line with 2015 levels over the past few months. With imports still trending upwards, it is likely competitively-priced foreign pork, now from the US and Brazil as well as the EU, is limiting the domestic price.

While imported product currently makes up a very small proportion of pig meat consumed in China, the lower price and favourable image with consumers means its market share could increase. This may further deter the Chinese from investing in pork production, hampering the expansion needed to meet the government's targets.

Another factor which could support the trade of pork into China is growth in domestic demand. As the wealth of the population increases, demand for meat will outstrip Chinese supplies. The Chinese Meat Association estimates total meat consumption will be 100 million tonnes by 2020. With pork making up 2/3 of meat consumed in China, this could push domestic consumption to 67 million tonnes. With target production only 55 million tonnes, a seemingly impossible 12 million tonnes would need to be imported to meet demand. While these figures are unlikely to reflect reality, they do highlight that opportunities for exporters may continue to be plentiful.

On balance, it seems that imports are likely to continue playing an important role in Chinese pork supplies in the coming year and beyond. The extent of this role, however, depends on how successful the Chinese government are in implementing the desired industry restructure and pork production increases. Overall, China will continue to be a key market to watch next year, as its new position as the dominant global importer means any fluctuations in demand are likely to have significant impacts on world prices.

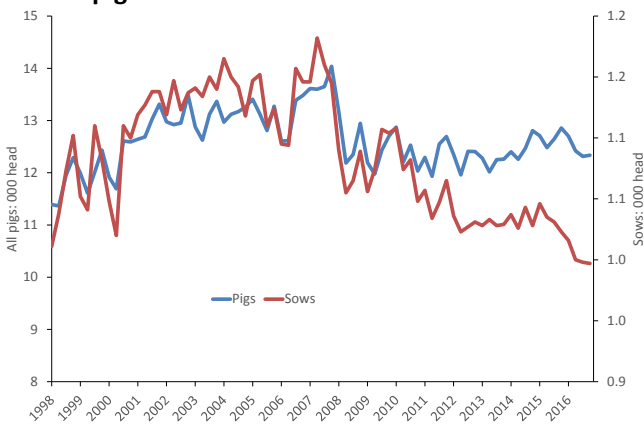
# Global Market Analysis

## Danish pork sector feeling the effects of low prices

As the UK's leading supplier of imported pig meat, developments in Denmark are always of interest to the domestic industry. In common with the rest of Europe, Danish pig producers experienced a period of very low prices in late 2015 and early 2016. The impact of this is apparent in a drop in the Danish breeding herd and reduced output from the sector. Nevertheless, exports have held up so far this year, boosted by strong sales to China.

In late 2015, the Danish pig reference price dipped below 90p/kg for the first time in many years. Although this understates the true price, due to the annual bonus payments received by co-operative members, prices at this level meant producers were losing significant sums. Indeed, losses were large enough to mean that even the traditionally resilient Danish industry was adversely affected. As a result, the number of sows reported in the Danish pig census dropped below 1 million head in the final two quarters of this year, for the first time in nearly two decades.

### Danish pig herd trends



Source: Statistics Denmark

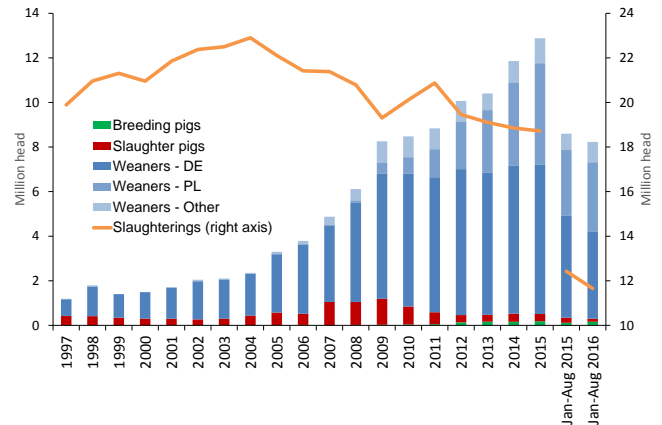
Until last year, the Danish breeding herd had been stable for a number of years, despite the ups and downs of the market, although it did contract between 2007 and 2011. Improved productivity means that the total number of pigs in the country has been stable over the last decade, despite the falling breeding herd and rising weaner exports. However, there are signs that the Danish herd may now be starting to decline, with a 4% drop in the year to 1 October.

Danish slaughterings have actually been declining slowly for a decade or more, fuelled by a rapid expansion in exports of live weaners. At the peak of Danish slaughterings in 2004, 22.9 million pigs were slaughtered and just 1.9 million were exported, almost all of them for finishing in Germany. By last year, Danish slaughterings had fallen below 19 million head but as many as 12.4 million weaners were exported.

While Germany is still the leading buyer, it now accounts for only around half of weaner exports, with its purchases stable since 2010. Instead, most of the

recent growth has been driven by Poland. Therefore, while Danish piglet production grew in all but three of the last 15 years (and even in those three years the decline was less than 1%), slaughterings rose in just two of the years since 2004.

### Danish live pig exports and slaughterings



Source: Eurostat

However, this year the growth trend in piglet production appears to have stalled. In the first nine months of the year, slaughterings were down again, by 3%, compared with a year earlier. This time, though, weaner exports were also lower, with 15% fewer shipped to Germany and 4% fewer overall in January to August 2016 than in the same period last year.

So far, this doesn't seem to have had much impact on pig meat exports overall, partly because of the strong demand from China. Total exports, including offal, were down just 2%, compared with a year earlier, in January to August 2016. Shipments to the EU were back 11%, though. Within this, fresh/frozen pork exports were virtually unchanged, as a near trebling of sales to China offset a 10% drop in EU volumes and stagnant trade elsewhere. The reduced production did affect offal exports, though, which were down 4%, with only a modest rise in shipments to China.

Denmark remains the largest supplier of imported pig meat to the UK, although Danish data don't show the sharp rise in shipments apparent in the UK figures since May. Pork exports to the UK were up 11% year on year in the first eight months of 2016 but this was offset by a fall in bacon shipments. This is thought to be due to a rise in the amount of Danish pork exported for curing in the UK as Danish curing capacity has reduced. With sausage imports also up but processed ham sales lower, the total volume of pig meat exported to the UK was little changed from a year earlier.

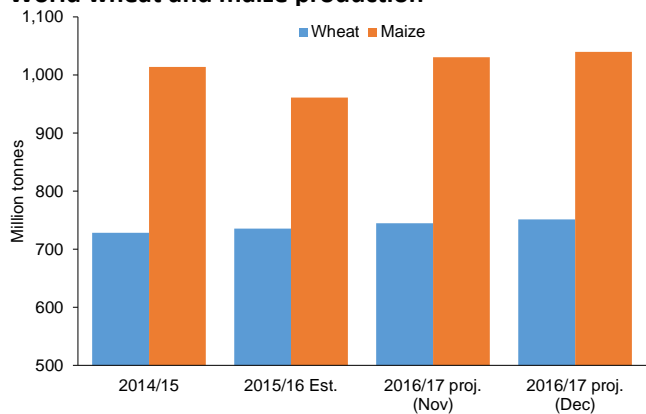
Although it hasn't happened yet, a sustained reduction in Danish production could eventually lead to lower exports to the UK, adding to the tight supply situation on the domestic market. However, with the UK representing a lucrative market for Denmark, particularly for loins and legs, it will undoubtedly continue to be a major and influential supplier.



## Feed Market

UK feed wheat futures (nearby) have fallen by 2% between 22 November and 16 December on further confirmation of large global availability of wheat. The latest USDA World Agriculture Supply and Demand Estimates (WASDE) forecast record output for both global wheat and maize at 751.3Mt and 1,039.7Mt respectively.

### World wheat and maize production



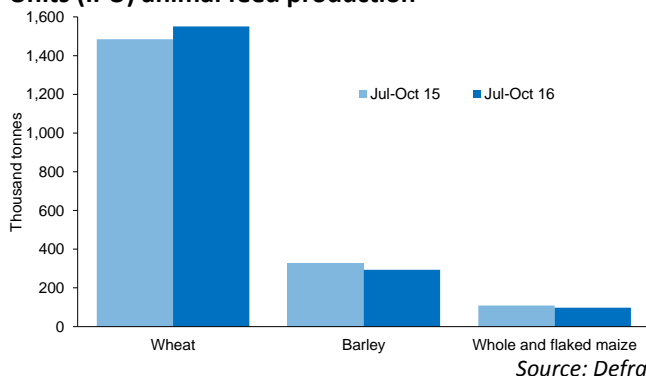
Source: USDA

The latest USDA forecast for global wheat production is up 6.5Mt on November's estimate and is largely driven by the record output in Australia (33Mt). Canadian wheat production also added a further bearish element to global wheat futures, forecast at the second highest level on record from the country.

The strengthening of the US dollar in the wake of the US election had a substantial impact on UK grain prices and competitiveness. Looking at the value of UK feed wheat futures (May-17) in dollar terms, prices have fallen by \$2.71/t since 22 November. Meanwhile, Chicago wheat futures (May-17) fell by 4% (\$7.17/t) over the same time period.

The latest animal feed usage statistics released by Defra highlight the increased usage of wheat in animal feed rations between July and October, compared to the same time last year, rising by 4.4%. Furthermore the usage of barley has fallen 10.1% year on year over the same period. Over the same time period, total production of compound animal feed was little changed. However, pig feed output was down by over 8% year on year, with a particularly sharp fall for grower feed. 6% less breeding pig feed was produced.

### Cereal usage in GB compound and Integrated Poultry Units (IPU) animal feed production



Source: Defra

The drop in barley usage comes despite feed barley prices discounting at a significant level to feed wheat prices. On average through October, UK ex-farm feed wheat prices were almost £19.50/t higher than feed barley prices.

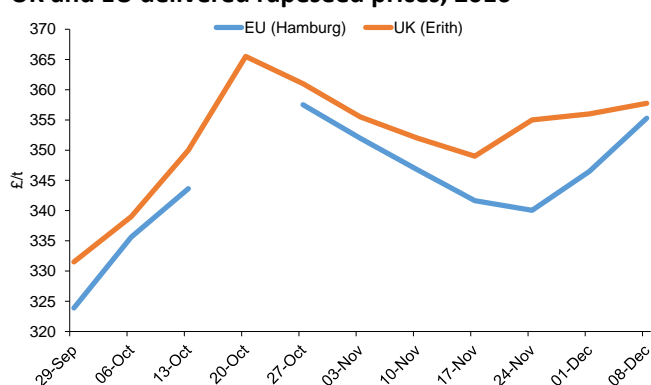
Protein prices have dropped further during the same period, with soyameal (spot, Brazilian 48%, Ex-store Liverpool) falling by almost 3% to £319/t on 9 December. Soyameal tracked the movement of Chicago soyabean futures (May-17), which fell 1% across the month in to close at \$387.37/t on 16 December. Conversely, Paris rapeseed futures (May-17) recorded a rise of 4% between 22 November and 16 December, to close at €416/t.

Movements in soyabean markets have been largely driven by the increased global supply of soyabeans, with the USDA's WASDE report highlighting a 7% increase in world ending stocks, compared to last year. Two of the main drivers behind the increased availability were revised yield estimates for Canada and India, accounting for a large proportion of the 1.9Mt increase in output, compared to the November forecast.

Further weight was placed on soyabean prices by the optimism surrounding the Brazilian soyabean crop, following news of an earlier start to their anticipated record harvest. Whilst the record crop is not new news in itself, the earlier harvest helps to reduce the risk of any late weather issues hitting the crop.

In the UK, the latest crop development report by ADAS highlighted concerns for the establishment of oilseed rape in the East. Dry seedbeds led to slow emergence of the crop, which was further hampered by the active cabbage stem flea beetle in the area. Meanwhile, crops established well in the West.

### UK and EU delivered rapeseed prices, 2016



Source: AHDB Cereals & Oilseeds

UK delivered rapeseed prices (Erith) largely tracked the movements of Paris rapeseed futures over the month, climbing to £359.50/t on 16 December. The rise in the price of UK delivered rapeseed reduced the premium over EU delivered prices (Hamburg), which had previously incentivised increased imports of rapeseed from the EU. With the premium reducing, UK imports of rapeseed fell back below exports in October.

## In Brief

### UK pig herd confirmed up 3% in June

As at the 1 June, the UK pig herd stood at 4.87 million head, up 3% on the year, according to the final results of Defra's June Survey published this month. The increase is largely driven by a rise in the finisher herd, up 3% on 2015, to 4.36 million head. The latest release also records an increase in the UK breeding herd. Nonetheless, other evidence backs up anecdotal reports that producers were scaling back their breeding herds in the first half of this year. In addition, slaughterings since June have been below year earlier levels, so the latest data need to be viewed with caution.

### Producers' share of pork retail price reaches 28-month high

The producer share of retail pork prices increased once again in November, by 1 percentage point on the month, to 40%. This is the largest share received since July 2014 and is six points higher than a year ago. Retail prices fell slightly (-0.6%) on the month in November and were similar to the same point in 2015, meaning that further increases in GB pig prices were responsible for the increase in producers' share. The EU-spec APP gained 4.82p on the month and 22.17p/kg on November 2015.

### Modest German export growth continues

Total German pork exports during the first nine months of the year were up 5%, at 1.37 million tonnes. Expansion has largely been driven by increased shipments to China, though the growth rate reduced in the third quarter. In contrast, volumes going to the EU were down 5%. Imports to Germany were back 4% on the year. The top three supplying nations all reported falls, while smaller nations made overall gains this year. Conversely, live imports have been increasing.

### Global export prices pick up but volumes fall

Average global pork prices continued to edge up in the third quarter, with the average export price in September reaching \$2.63/kg, the highest level since June 2015. Nevertheless, prices remain well below the levels recorded between 2011 and 2014. Furthermore, prices are likely to come under renewed pressure in the final three months of the year, given US prices hit their lowest level since 2002 at one point. The recent rise in prices came at a time when the amount of pork being exported fell back from the inflated level of earlier in the year.

### EU pork market set to become more reliant on exports

EU pig meat production is expected to show only marginal growth in the coming decade, according to the latest EU Commission Medium-term Outlook report. Subdued domestic demand is expected to limit expansion. Instead, exports are expected to become increasingly important to the European pig meat market. Though increasing export demand has had a positive impact on prices this year, sustained competition from the USA and Brazil is expected to limit further growth. To read the full Medium-term Outlook report, which also covers other farming sectors, [click here](#).

### The impact of Brexit on protected food names

The latest in AHDB's series of Horizon reports considers the impact that Brexit may have on products of Geographical Indication (GI). The UK has 61 registered GI food products, including pig meat products such as Traditional Cumberland Sausage and Melton Mowbray Pork Pie. The report concludes that, when the UK leaves the EU, registered protected food names should still be able to benefit from EU protection, provided there is a reciprocal agreement between the UK and the EU. The full report can be downloaded by [clicking here](#).

### Spanish exports continue to grow in Q3

For the first nine months of 2016, Spanish exports of pork were up 24%. Growth was biased towards the second quarter, though shipments were still up 16% during Q3. Export growth has been enabled by strong Chinese demand, coupled to expanding Spanish production. Volumes shipped to China more than doubled during this period. Intra-EU trade has also grown, with volumes increasing by 7% year on year. Value growth was behind volume, up 19% on 2015 to €2,323 million. However, rising European pig prices have reversed this trend for the third quarter, with the value of exports up 22%.

### New Inputs dashboard published

AHDB has just published a new 'Inputs dashboard', which pulls together key information on input costs, including fertiliser, fuel, feed and hay/straw prices, as well as the imputed value of nutrients in organic material. The dashboard will be published every month on the AHDB website and can be found by [clicking here](#). The latest AHDB Fertiliser Market Outlook has also been published; the current and back issues can be downloaded from the AHDB website by [clicking here](#).

**Read more about these and other stories in Pig Market Weekly. To view past editions or to subscribe, [click here](#).**

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