

## In this issue

### UK pigmeat market update

Supplies of pigmeat are forecast to remain tight in the first half of 2017, according to the latest forecasts from AHDB. UK production is expected to fall back in the first half of the year, before recovering in the latter half. Imports of pork are expected to decrease on 2016 levels, particularly if the weak pound is sustained. Exports are forecast to increase, with a favourable exchange rate supporting this. However, these volumes may be pegged back by the tightening domestic supply. Overall, this should mean that there is less pork on the market in 2017, which could help support the price, at least in the short term. Turn to **page 4**.

### Consumer confidence

Consumer confidence is a measure of how people feel about present and future financial circumstances, both for themselves and for the wider economy. The index score is arrived at by asking a representative sample of the population questions around their own circumstances, and those of the wider economy. For more information turn to **page 6**.

### Irish pig meat

The pig meat sector is extremely important for Irish agriculture and it is also very export dependent, with the UK its primary destination. The relationship between the Irish and UK pig meat industry means it is important to consider how the Irish sector is developing, as there may be repercussions and opportunities here in the UK. This is especially relevant in light of the Brexit vote. The Irish pig meat sector accounts for approximately a third of agri-food output value and is the third most important sector after dairy and beef. Read further on **page 7**.

### Trump and trade

Pork production is expected to grow by 5% in the US this year, and it is anticipated that exports will need to rise to absorb some of this surplus (for more about this, click [here](#)). However, since his inauguration last month, the new President, Donald Trump, has been reconsidering the US stance on global trade. Trump has been supporting a protectionist, anti-globalisation agenda which he believes will support the US manufacturing business. However, this stance could also damage the US export prospects, negatively impacting American pig farmers. More information can be found on **Page 8**.

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## Key data

	Jan-17	Change since Dec-16	Change since Jan-16
Average GB carcass weight - kg	83.59	+1.77	+0.65
30kg weaner price - £/head	55.15	+0.55	+17.55
7kg weaner price - £/head	38.66	+0.13	+8.28
GB APP (Euro-spec) - p/kg dw	153.85	-0.69	+32.26
GB SPP (Euro-spec) - p/kg dw	150.66	-1.04	+33.29
EU Reference price - €/100kg dw	151.69	-1.40	+24.24
UK Reference price - €/100kg dw	173.06	-4.34	+19.22
UK weekly clean pig kill - 000 head	197.6	-6.0	+3.5
UK weekly pig meat production - 000 tonnes	17.2	-0.1	+0.2
UK pork imports - 000 tonnes*	43.0	-2.3	+10.6
UK bacon imports - 000 tonnes*	22.9	+0.1	+1.1
UK pork exports - 000 tonnes*	15.7	-1.7	+0.5
Retail pig meat sales - 000 tonnes†	61.3	+6.5	+2.8
LIFFE feed wheat futures - £/tonne	145.76	+9.18	+35.99
CBOT Soyameal futures - \$/tonne	330.86	+17.12	+61.27

\* Figures relate to December 2016  
 † Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 1 January 2017

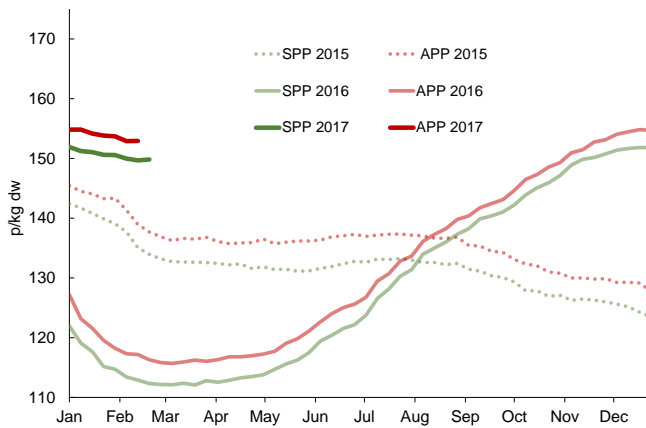
Interested in data? Get more detail about these and other areas from the [AHDB Pork website](#)

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## UK Market Snapshot

GB pig prices fell for the first time since February 2016 during January. The monthly-average EU-spec APP declined by less than 0.7p on the previous month's figure, to stand at 153.85p/kg. A fall in pig prices usually occurs during the first month of the year, as consumer demand is subdued following the Christmas period. However, the fall this year was much more modest than the over 7p decrease that was seen between December 2015 and January 2016. As such, this year's monthly average remained over 32p above the equivalent year earlier figure. Tighter supplies have helped keep the market largely in balance.

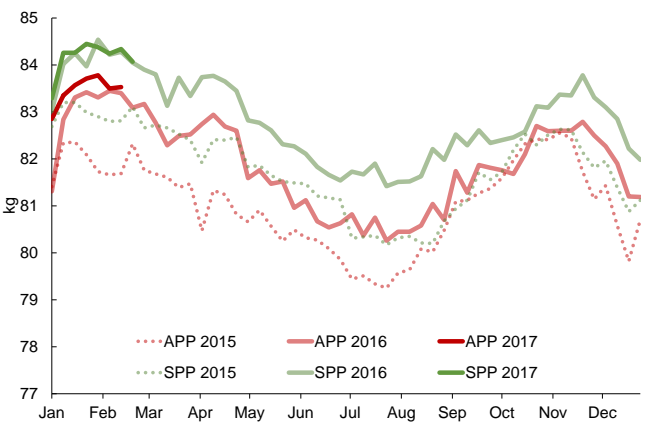
### GB finished pig prices



Source: AHDB

The EU-spec SPP also showed a fall on the month during January, to average at 150.66p/kg. The price decline of over 1p was ahead of that for the APP, and so the gap between the APP and the SPP widened by 0.35p to average at 3.19p for the month. This suggests that premium pigs have been affected by the price decline less than standard pigs. Moving into February, the market has now showed signs of positive movement again. During week ended 18 February, the EU-spec SPP increased by 0.15p to stand at 149.81p/kg.

### Average carcass weights for GB finished pigs



Source: AHDB

Carcass weights for both the APP and SPP samples reached record highs during January. The monthly average for the SPP sample stood at 84.32kg. This follows the long-term trend of increasing carcass

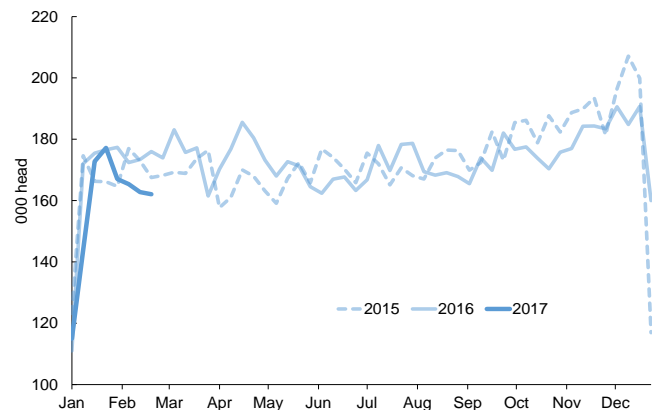
weights, but was also likely influenced by reduced processing capacity during the Christmas and New Year period.

In contrast to finished pig prices, while there was some fluctuation, overall weaner prices rose marginally on the month during January. This reflects the tightness in supply in the market at present. The monthly average 7kg weaner price rose 13p to stand at £38.66 per head, while 30kg weaners saw a rise of 55p to £55.15 per head. Prices have not been at this level since August 2014.

While UK clean pig slaughterings in January were reported by Defra to be level with the calendar month in 2016, this was due to there being an extra working day in January 2017 compared with 2016.

When the slaughtering figures are adjusted so they can be compared on a like for like basis, they are seen to be over 5% lower than a year earlier at 849,600 head. Overall, this continues the trend of lower slaughterings seen in previous months, driven by the fall in the size of the breeding herd that occurred last year.

### Estimated weekly GB clean pig slaughterings



Source: AHDB

Sow slaughterings in January were 17% lower than in the previous year at 19,200 head. This is after figures were adjusted to account for the change in reporting methodology and extra working day in January 2017. This followed the trend seen in the previous month, possibly a result of the smaller breeding herd meaning there are fewer sows to be culled. Altogether, this meant that while pork production in January appeared to be level at 74,000 tonnes, this apparent stability was again due to there being an extra working day in 2017 and production on a like for like basis was actually 5% lower.

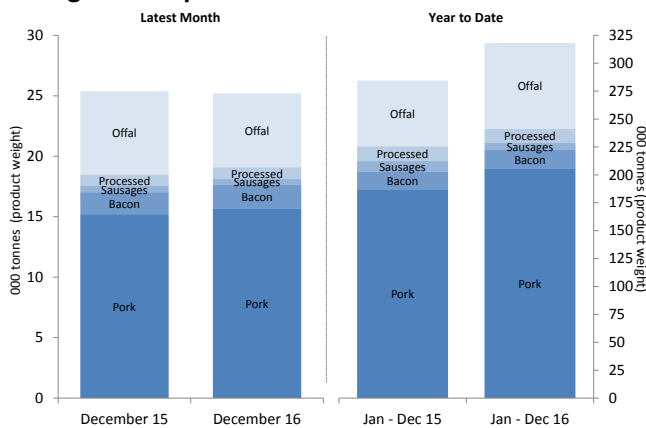
In December, the volume of UK pig meat exports increased on the year for the first time since August. At over 15,600 tonnes, shipments of pig meat from the UK were 3% higher than December 2015 and the highest volume exported in the month of December since 1999. The overall increase can be attributed to a rise in shipments to the likes of Germany and Denmark, outweighing declines in volumes shipped to China, the Netherlands and the US.

# UK Market Snapshot

At £22.2 million, the value of these shipments increased by 26% on the year, helped by further currency movements. Partly driving the overall increase was a rise in the value of shipments to China, despite a fall in actual volume shipped.

Despite fluctuations in the volume of UK exports during the final quarter, the amount of pig meat shipped during 2016 was 10% higher than 2015. At nearly 206,000 tonnes, this is the highest annual amount the UK has exported since 1999. The increase can be partly attributed to a 47% rise in shipments to China, which has overtaken Germany and Ireland to become the UK's largest market in 2016. Exports to Ireland and Germany recorded more modest increases of 8% and 2% on the year respectively. Total export value climbed 28% on the year to nearly £252 million. Ireland remained the UK's highest value market during the year. However, China's share increased, overtaking Germany to become the second largest market in value terms.

## UK Pig Meat Exports



Source: Her Majesty's Revenue & Customs

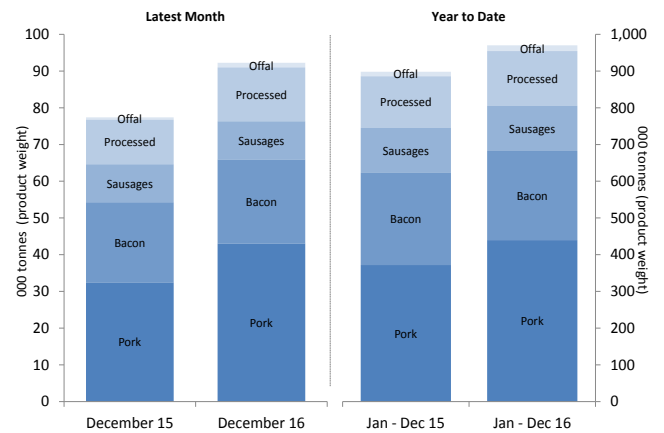
UK offal exports declined on the year in December, with falls in shipments to South Korea, Denmark and Ireland. Nevertheless, full year exports of UK offal were 31% higher on the year in 2016, driven by increased demand from China and Hong Kong.

Shipments of bacon and other processed pig meats increased in December, while exports of sausages declined. Likewise, looking at 2016 as a whole, bacon shipments increased year on year by 3%, while exports of other processed pig meats and sausages fell by 4% and 33% respectively.

Imports of pig meat into the UK continued to rise in December, by 32% on the year at nearly 43,000 tonnes. The rise comes as Danish imports increased by 88% at 18,400 tonnes. Full year imports were 18% higher in 2016 at nearly 440,000 tonnes, again driven predominately by increases from Denmark. However, the official Danish trade figures show exports of pig meat to the UK from January to November at just over 125,000 tonnes whereas the UK import data for the same period has a figure of 151,000 tonnes. Therefore,

the UK import numbers should be viewed with caution.

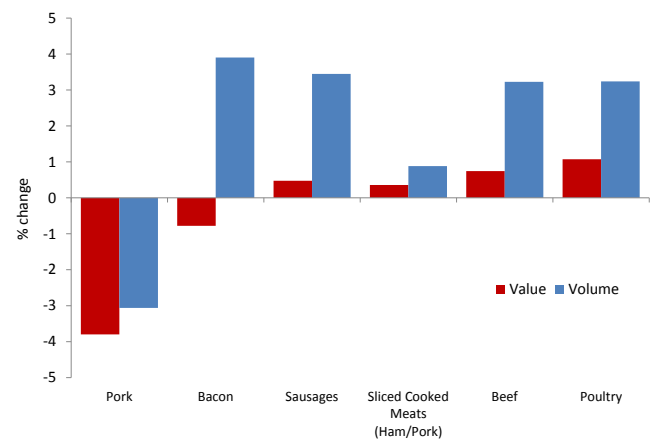
## UK Pig Meat Imports



Source: Her Majesty's Revenue & Customs

The share of pork retail prices received by producers remained healthy during January, at 40%. This represented a small fall of less than half a percentage point on December. Nevertheless, substantially higher pig prices, relative to 2016, meant the share was eight percentage points higher than the same month a year earlier. Falling pig prices, coupled to a small increase in average retail prices, were responsible for the marginal decline in the producer's share month on month.

## Annual percentage change in retail meat purchases (12 weeks to 29 January 2017)



Source: Kantar Worldpanel

Volumes of fresh/frozen pork sold by UK retailers in the 12 weeks ending 29 January were 3% down compared with a year earlier, according to the latest data from Kantar Worldpanel. This was despite average prices being back almost 1%. In contrast, the picture was more positive for added value products, such as sausages, which saw a degree of increase in the value of sales across the board. Meanwhile, primary beef and poultry meat sales volumes were higher year-on-year, likely helped by a 2% fall in average unit prices, though the value of these markets had still increased.

# UK Market Analysis

## UK supplies continuing to tighten

Supplies of pigmeat are forecast to remain tight in the first half of 2017, according to the latest forecasts from AHDB. UK production is expected to fall back in the first half of the year, before recovering in the latter half. Imports of pork are expected to decrease on 2016 levels, particularly if the weak pound is sustained. Exports are forecast to increase, with a favourable exchange rate supporting this. However, these volumes may be pegged back by the tightening domestic supply. Overall, this should mean that there is less pork on the market in 2017, which could help support the price, at least in the short term.

Defra's December 2015 and June 2016 surveys showed that the UK breeding herd had surprisingly increased. However, other evidence pointed to the contrary. Sow cullings were up in early 2016, despite the low cull sow price at the time. In addition, the production of breeding pig feed fell, supporting the likelihood of fewer sows. Should Defra's figures be correct, this would imply a sharp decrease in sow productivity. This goes against the trend and industry intelligence.

### Calculated UK breeding sow productivity based on different breeding herd sizes

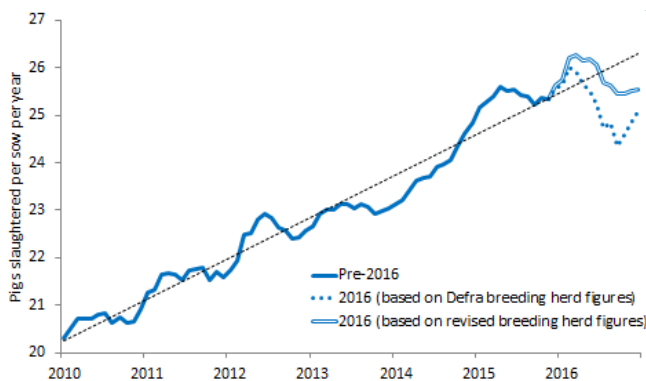


Chart: Number of pigs slaughtered per sow per year in the UK (deseasonalised and smoothed)

Source: AHDB estimates based on Defra data

Therefore, our forecasts have assumed a 3% fall in the breeding herd in the year to June, to 395,000 head. A lower number for December 2015 is also used (385,000 head – 16,000 lower than Defra). This would be in line with the low prices recorded in 2015 and early 2016. However, with the pig prices firming through 2016, we would expect to see producers starting to increase their breeding herd, so a slight recovery in these numbers has been forecast for 2017.

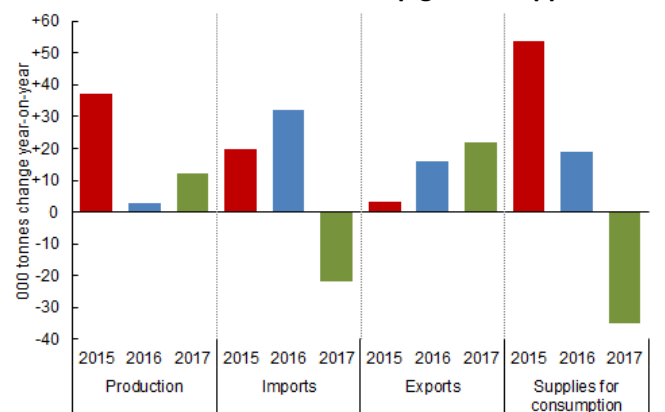
With the breeding herd back, we forecast slaughterings to be down in the first half of 2017. However, the increasing price in the second half of 2016 and the return to profit for many producers may encourage reinvestment. This is why slaughterings are expected to return to growth in

the second half of the year. Given that carcass weights are only expected to modestly increase on 2016, production forecasts remain in line with slaughtering trends. Overall, production is anticipated to be slightly up on 2016, with the growth in the second half of the year offsetting the fall in the first half.

Imports and exports have a large bearing on supply trends. Despite EU pork becoming more expensive than UK pork through the second half of the year, import levels grew on the year earlier. This import growth was predominantly driven by Danish imports, which were up over 70% on the year earlier. However, it is sensible to assume that trade will realign over time and there are some doubts over the accuracy of the HMRC data. With EU production looking likely to peg back in 2017, there will be fewer supplies available to export to the UK. Furthermore, should sterling remain weak against the euro, this will continue to make UK pork competitive. Therefore, it is expected that import levels will be back in 2017.

Export levels are forecast to be up slightly in 2017. 2016 levels grew throughout the year, although maybe not at levels that were expected given the exchange rate. 2017 levels may be held back due to availability of supply. With UK production forecast to be back in the first half of 2017, this will impact the available supplies for export.

### Actual and forecast trends in UK pig meat supplies



Sources: Defra, HMRC, AHDB

Therefore, supplies available for consumption are expected to be down in 2017. This should help to support the price, at least in the first half of the year when production is expected to be back. If production does begin to recover in the second half of the year, this may begin to put pressure on prices. Export demand has provided an opportunity for UK pork, as domestic uptake continues to dwindle. Should export markets move, particularly a decline in Chinese demand, this would again increase supplies on the domestic market. If no alternative market is found, then this could also depress the price.



# UK Market Analysis

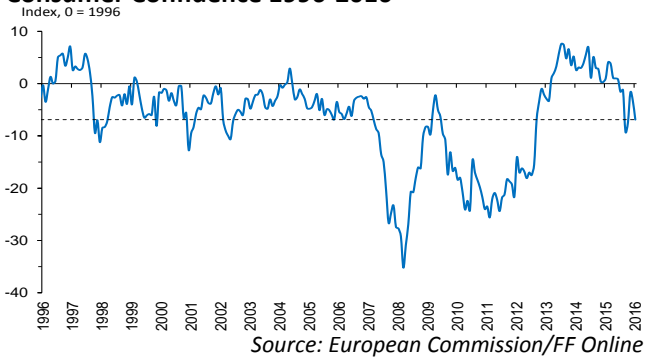
## Consumer confidence remains positive

Consumer confidence is a measure of how people feel about present and future financial circumstances, both for themselves and for the wider economy. The index score is arrived at by asking a representative sample of the population questions around their own circumstances, and those of the wider economy.

When the index is high, consumers are expected to increase their spending on goods and services; when low, a decrease in spending is usually anticipated. Since 2012, consumer confidence and other economic performance indicators have been generally positive.

The financial health of the UK is heavily dependent on consumer spending; the Office for National Statistics (ONS) says that household expenditure makes up 60% of the UK economy. The industries that AHDB products contribute to are an important part of this. According to Kantar Worldpanel, grocery retail amounted to £105 billion in 2016, while the total spent on out-of-home food and drink was over £50 billion (NPD CREST).

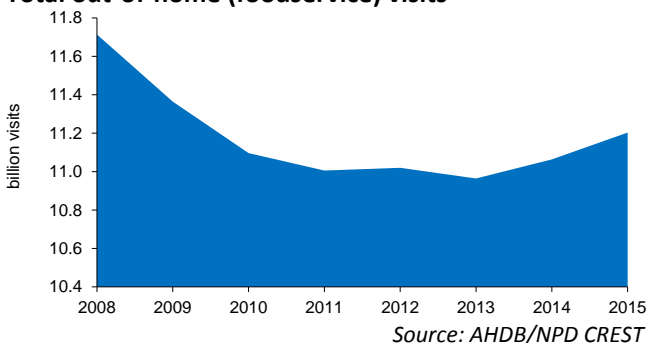
### Consumer Confidence 1996-2016



There was a strong relationship between foodservice and consumer confidence from 2008 to 2012. People ate out of home less often, those who did ordered fewer side dishes and drinks. The response of the industry was to offer deals, offers and promotions to encourage consumers to come back.

Between 2012 and 2016 financial pressures eased, earnings began to grow faster than inflation and consumer confidence rose. Eating out, which for many had increasingly been viewed as a treat or luxury, began to recover. However, the level of promotions relied on by the foodservice industry since 2008 did not fall away.

### Total out-of-home (foodservice) visits



One of the ways in which consumers dealt with the squeeze in their post-2008 disposable income was to become more 'savvy' when shopping for groceries. Many decided to 'trade down'. Hard Discounter retailers benefited from this and grew quickly. The rate of increase has slowed, but good growth continues.

In the 12 weeks ending 29 January 2017, Aldi became the UK's fifth largest supermarket. Its Every Day Low Price (EDLP) strategy caught on quickly with consumers, and has been extremely influential on the entire grocery market. In the time after the banking crisis, consumers used discount stores because they had to, now many use them because they prefer to.

The media was overwhelmed during the last 12 months with doom laden forecasts of what might happen if the population voted for Brexit. Despite this, almost all financial performance measures have been relatively positive. The consumer confidence index has been a little changeable but, when compared to historical levels, has remained high. In normal times, consumers are expected to trade-up and be more willing to treat themselves. However, some behaviour learnt when the index was low continues. Consumers are still seeking the best value, and use deals, offers and promotions whenever possible.

It is likely that the pressure to keep costs low and collaborate in promotions will continue to be placed on those in the food supply chain. The driver of this is not the supermarkets and out-of-home food outlets; it is the consumer.

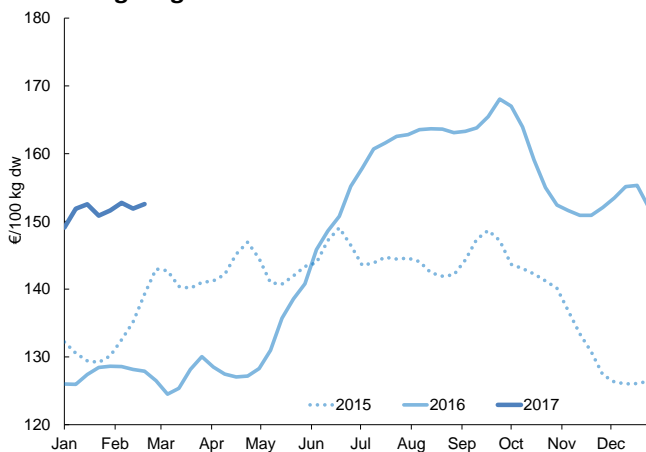
It is important for the pork industry to understand these drivers for consumers when looking to entice them back into the category. This is especially true considering the recent declines in the overall retail spend on pork products. According to the latest data from Kantar Worldpanel, in the 52 weeks ended 29 January pork retail volumes had fallen 3%. This is despite the average price of pork products being 6% lower in the same period. This is no doubt a worrying situation for all involved in the pork industry. One reason for this decline is that pork has been suffering from the rise of more international cuisines, which tend to use other meats than pork. This was written about [here](#) in December.

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

Following falls seen shortly after Christmas, there has since been some modest recovery in the average EU pig price. Prices increased by €1.70 over the past four weeks, to €152.55/100kg for week ending 19 February, following tighter supplies. However, there has been some volatility over this period. Prices at this stage last year were largely stable, so the premium over 2016 has widened over the past four weeks. Prices were almost €25 higher than the same week last year during week ended 19 February.

### EU Average Pig Reference Price



Source: EU Commission

Prices in Germany, the most influential producing nation, actually showed a marginal fall of €0.15 to €156.10/100kg in the four weeks to 19 February. Tight supplies of live pigs here have so far this year not been reflected in price trends. This is because requirements from slaughtering companies have been limited following weak demand in the New Year. The German price fall has an impact on the overall average EU price, as it has the highest weighting in its calculation. In contrast, prices in Denmark were largely stable, while the overall EU price increase was driven by rises seen in France and Spain.

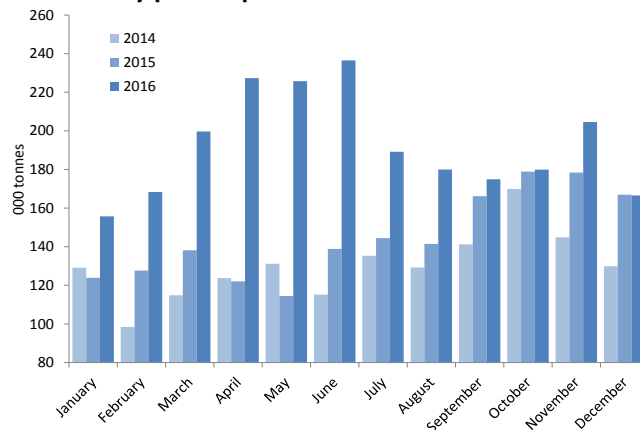
In euro terms, the UK reference price also increased in the four weeks ending 19 February. However, due to some strengthening in the value of the pound, this rise was not reflected in sterling terms. In the UK, prices have continued to be affected by the post-Christmas fall in demand.

At over 2.3 million tonnes, EU pork export volume grew by a third on the year during 2016. Tightening supplies in the latter half of the year elevated pig prices, counteracting the poor prices seen at the start of the year. Hence overall, value was up in line with volume, at €5.2 billion.

Shipments to the growing Far East markets were key to boosting the EU's export performance last year. Chinese volumes were up 86% to almost 990 thousand tonnes, and there were also more modest increases in shipments to Japan and South Korea of 9% and 16% respectively. However export growth did slow as the year progressed, with volumes only up 5% on the year

for Q4 alone. This was due to increasing competition from US pork and some slowdown in growth in the Chinese market. These challenges are likely to remain in 2017, particularly as some recovery in Chinese pork production is anticipated in the latter half of the year.

### EU monthly pork exports

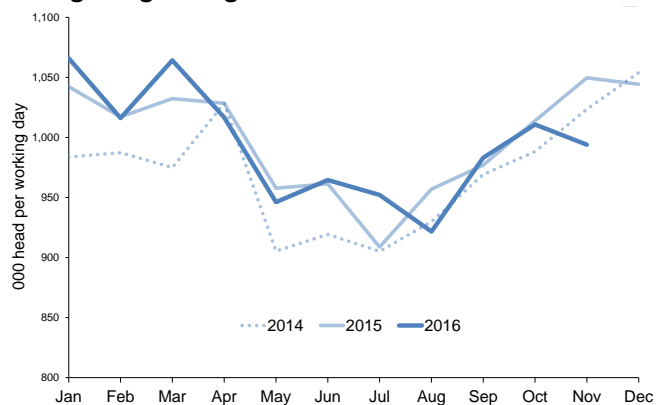


Source: Eurostat

Likewise, offal shipments also grew 18% year-on-year during 2016, almost reaching 1.4 million tonnes. Again, the Asian market was crucial to this overall growth, with shipments to China and neighbouring Hong Kong combined up 30%. Together, these two destinations made up over three quarters of the EU offal export market.

According to the latest figures from Eurostat, 21.9 million pigs were slaughtered in the EU during November 2016. This meant that throughput appeared to be stable on 2015 figures. However, an extra working day in November last year meant that, per working day, slaughterings were actually 5% back on year earlier levels during the month.

### EU Pig Slaughtering Trends



Source: Eurostat

At 2.0 million tonnes, pig meat production per working day was also 5% behind 2015 levels during the month. Overall, this brought pig meat production for the January-November period of 2016 to 21.2 million tonnes. This was 1% higher than the same period a year earlier, though when the extra leap day is accounted for, production was actually largely stable on the year.

# Global Market Analysis

## An uncertain future for Irish pig meat?

The pig meat sector is extremely important for Irish agriculture and it is also very export dependent, with the UK its primary destination. The relationship between the Irish and UK pig meat industry means it is important to consider how the Irish sector is developing, as there may be repercussions and opportunities here in the UK. This is especially relevant in light of the Brexit vote. The Irish pig meat sector accounts for approximately a third of agri-food output value and is the third most important sector after dairy and beef. The sector is over 200% self-sufficient.

In 2016, the Irish pig industry experienced improving market conditions during the course of the year, similar to those of other key European producing nations. Ireland benefited from strong demand on non-EU markets, with shipments up 20% on year-earlier figures according to Bord Bia. The booming Chinese market was key to this growth and Irish shipments reached 65,000 tonnes last year. The overall value of Irish pig meat exports was up 4% on the year at €615 million, while volumes were up 2% to 233,000 tonnes cwe.

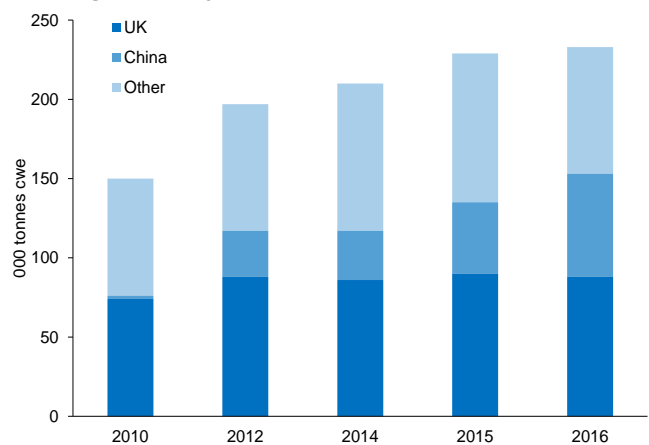
Domestic consumption also showed positive developments last year. Retail pork sales were reported to be up around 1% in volume terms for the year to 4 December, unlike the decline in the UK, aided by improving economic conditions. This led to a marginal increase in overall pig meat consumption.

Market growth was aided by increasing Irish production. This came on the back of an expanding breeding herd and increasing sow productivity, as well as an 18% decline in live exports. Annual production, therefore, stood at 285,000 tonnes, a 3% rise on the year.

Despite the many positive developments, the impact of an unfavourable euro/sterling exchange rate following the Brexit vote in June, did pose a challenge to Irish pig meat exporters. Bord Bia recorded a drop in UK shipments, to 88,000 tonnes, during 2016. The value of these was 5% down on the year. Live exports to Northern Ireland were also negatively affected.

Trade between the UK and Ireland is likely to remain challenging from an Irish perspective in 2017 and also in the medium term. This includes exchange rate developments and the UK government's strategy, especially if it supports a "hard Brexit". Of course, for UK producers this could offer expansion opportunities within the domestic market. On the other hand, Irish production costs are below those of the UK, and so Irish pig meat may be able to remain reasonably competitive and sustainable. Ireland accounts for 7% of UK pork imports, plus some processed products.

## Irish Pig Meat Exports



Source: CSO/Bord Bia Estimates

Unlike the UK, virtually all Irish pigs are bred and reared in indoor production systems. However, Irish farms are working to improve their image through the "Origin Green" initiative in order to help exploit market opportunities.

As with the UK and other global pork exporters, Ireland is expected to face a more challenging global pork market this year. Rising competitively priced supplies from the US, and to a lesser extent Brazil, threaten to damage the position of EU exporters. Chinese import demand could also ease back in the latter half of the year.

With 2017 supplies looking to stand on last year's figures, Ireland may have to work hard to find outlets for its pig meat. Promotional activity is hoped to further aid domestic consumption. Increased demand from other developing South East Asian markets may also absorb some supplies. Ultimately, however, price cuts may be necessary in order to remain competitive, but a favourable euro/dollar exchange rate should help.

Overall, the economic situation in the Irish pig sector currently mirrors the UK somewhat; having ended 2016 on a high, but facing an increasingly uncertain future. However, the emerging international pressures faced this year may be more keenly felt in Ireland. This is particularly as its primary export destination has been compromised by Brexit. In the longer term, how UK-Ireland trade relations develop will be critical, alongside whether other markets can grow sufficiently to mitigate any compromise. For UK producers, while challenges to Ireland's position on the UK market may present opportunities, there will be the continuing challenge of competing against Irish product on the global stage. Both prices and provenance will be key to determining the overall outcome.

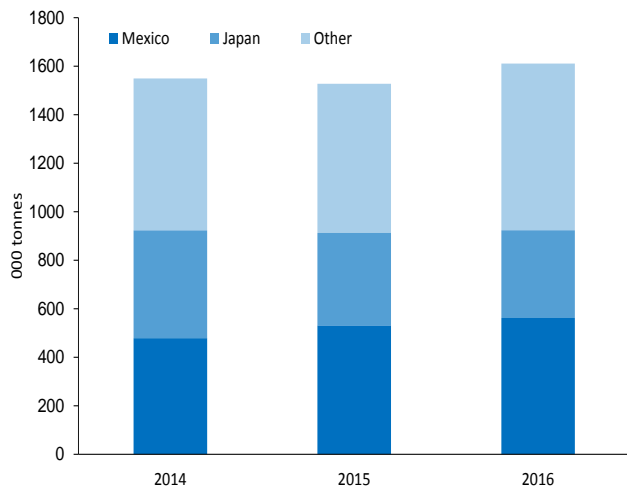
# Global Market Analysis

## Trump & Trade - how might pork markets be affected?

Pork production is expected to grow by 5% in the US this year, and it is anticipated that exports will need to rise to absorb some of this surplus (for more about this, click [here](#)). However, since his inauguration last month, the new President, Donald Trump, has been reconsidering the US stance on global trade. Trump has been supporting a protectionist, anti-globalisation agenda which he believes will support the US manufacturing business. However, this stance could also damage the US export prospects, negatively impacting American pig farmers. As the number one global pork exporter, any changes to US trade agreements could have implications on the global pig meat market that impact other global exporters, including the UK.

The desired renegotiation of NAFTA (North American Free Trade Agreement) is particularly relevant to the global pork industry. NAFTA is an agreement between the US, Canada and Mexico which eliminates tariffs on most products traded between the three countries. Mexico is currently the primary market for US pork exports, accounting for 35% of the total, with the market worth over \$1 billion dollars in 2016. However, tariff-free access to this important outlet could be under threat by Trump's desire to negotiate a "fairer" deal with Mexico, which is overall a net exporter of products to the US. There are concerns that negotiations may lead to a "trade war" between the two nations, which could result in Mexico applying tariffs to US pork imports. This would make US pork less competitive in Mexico, depressing US prices and negatively impacting the volumes shipped there. More US pork would then need to find an outlet in alternative markets such as those in the Far East, which could increase competition with EU product.

### US pork exports 2016



Source: IHS Maritime & Trade- Global Trade Atlas®

While there has been less interest in altering the US-Canada relationship, the extent to which it would be possible to alter Mexican relations without including Canada is uncertain. As the US received around a third of Canada's total pork export volume in 2016 (over 320,000 tonnes), NAFTA negotiations could also have important implications for the Canadian pork industry and knock-on effects worldwide.

While NAFTA renegotiations could be a threat to the global pork market, they also offer opportunities. The EU and Mexico are planning to push ahead with FTA (free-trade agreement) negotiations this year. If this deal comes to fruition, disadvantageous tariffs on EU pork exported to Mexico will be removed. This could, ultimately, lead to EU pork having a competitive advantage in Mexico, versus neighbouring US product.

The Trans-Pacific Partnership (TPP) is another free trade deal impacted by the Trump Presidency. The deal intended to bring together countries around the Pacific Rim, but the President withdrew the US in January. This has been a disappointment for the US pork industry. Japan was the second largest destination for US pork exports in 2016 and the market was worth nearly \$1.5 billion. The US International Trade Commission estimated pork export value could have increased by \$387 million dollars if the TPP had been implemented, largely due to the elimination of tariffs on shipments to Japan. From an EU perspective, however, the risk of increasing competition from the US on this market has been reduced.

In addition, there has been interest from both parties in a closer UK-US trading relationship, in light of the impending Brexit. This has unsurprisingly been welcomed by the US National Pork Producer's Council (NPPC), though could prove a significant challenge for UK producers. The US pig sector has a lower cost of production, though the providence of UK product could provide some advantage. However, the details of any free-trade deal devised would be key to determining the impact for UK producers, but these cannot be finalised until after Brexit has occurred.

Overall, there is much uncertainty surrounding the future of global trade at present. Despite much talk from Trump, and a rise in nationalistic feelings across the Western world, it remains difficult to predict how the future will pan out. While some trade routes may be under threat by the Trump presidency, opportunities for US exports could also develop, for example, through bilateral trade agreements. With trade a vital factor determining the future of the global pork markets, it will be important to follow developments as they unfold over the coming months and even years.



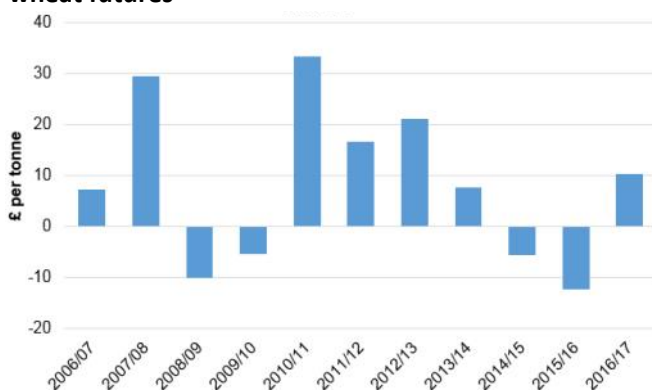
# Feed Market

## Grains

Since 25 January, old crop UK feed wheat futures (May-17) have decreased by 1%, closing at £147/t on Thursday 23 February. Over the same timeframe, new crop UK feed wheat futures (Nov-17) gained 1%, closing at £137/t on 23 February.

Over the past two seasons, UK feed wheat prices have experienced a fairly unusual positive price carry, making old crop wheat more valuable in forward markets. This incentivised producers to carry their old crop into the next season to achieve a better price. However, this season, the relationship between old and new crop prices has returned to a more typical relationship. As such, old crop (May-17) futures are currently at a premium of £10/t to new crop (Nov-17) values.

### Old crop (May) relative to new crop (Nov) UK feed wheat futures\*



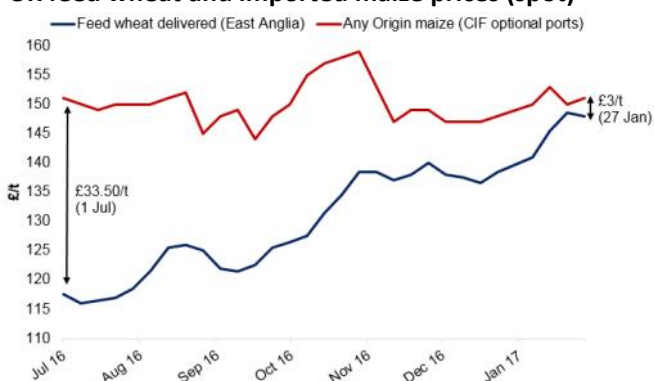
\*As at around 16 February for each season Source: AHDB

The price relationship at present suggests a disincentive for growers to keep this year's crop in store and rather to sell on the spot market. This season we have seen a tighter domestic wheat supply and demand situation, combined with a similar scenario in Europe, as well as currency volatility providing support to old crop wheat prices in the UK. However, the way markets are lining up at the moment suggests that the new crop market is running on the assumption that the supply and demand situation in the UK will return back to a normal balance, in the absence of evidence to the contrary.

Driven by the rise in domestic feed wheat prices, the gap between imported maize prices and wheat prices has narrowed considerably since the start of the season (July 16).

As at 1 July, UK feed wheat (delivered, East Anglia) was at a discount of £33.50/t to imported maize (any origin, CIF optional ports). Nevertheless, as the season has progressed the gap between the two has narrowed, driven by rising domestic feed wheat prices. As at 27 January, the gap between the two price series had narrowed to just £3/t. While over the past couple of seasons, maize hasn't really been a huge player in terms of a feed ingredient in non-specific diets, the relative price of imported maize to UK feed wheat may well impact usage decisions.

### UK feed wheat and imported maize prices (spot)

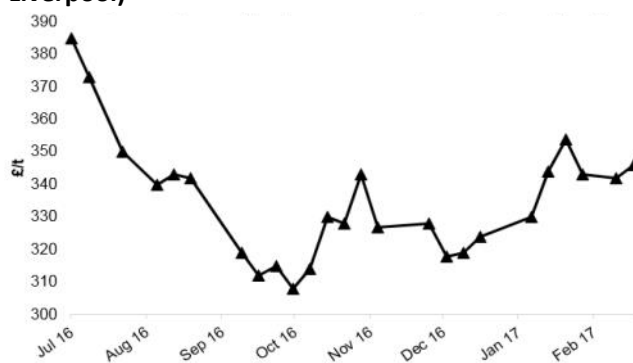


Source: AHDB

## Proteins

Since 25 January, May-17 Chicago soyabean futures prices have fallen by 4%, to close at £376/t on Thursday 23 February. Following a similar trend, UK feed ingredient prices also decreased. Between 20 January and 17 February soyameal prices (spot, Brazilian 48%, ex-store, Liverpool) fell by 2% to £346/t on 20 January. Likewise, UK delivered rapeseed prices (spot, Erith) fell by 2% over the same time frame to £365.50/t on 17 February.

### Soyameal prices (spot, Brazilian 48%, ex-store, Liverpool)



Source: AHDB

The fall in global oilseed futures prices has been partly driven by the pressure of record South American soyabean output, as harvest has started in Brazil. In its latest monthly report, Conab increased its estimate for Brazilian soyabean output by 1.8Mt on the month. At 105.6Mt, the latest estimate is 11% higher than last season's crop, which was effected by hot and dry conditions.

Furthermore, Australia produced 4.14Mt of Canola (OSR) from the recent harvest, according to the Australian Government. This is up 41% year on year and slightly higher than the previous record set in 2012/13. With nearly three-quarters of Australian Canola exported (previous 5 season average), the larger crop is likely to provide greater volumes for world markets.

Indeed, on Wednesday 15 February a large boat loaded with Australian Canola arrived in Liverpool. The last time the UK imported a sizeable amount of rapeseed from Australia was back in March 2002, when we imported 62Kt.

## In Brief

### Danish herd shrinks driven by fewer slaughter pigs

The number of pigs in Denmark declined during the course of 2016, ending the year at 12.3 million head. This follows the broad stability seen in numbers in 2015. The number of breeding pigs was also stable on the year. However, this stability comes as falls in the number of both in-pig sows, of 1%, and in-pig gilts, of 2%, were offset by the 6% increase in the number of maiden gilts. Better returns for pig production in recent months has potentially led producers to begin to think about expanding their breeding herds.

The improving returns during the course of 2016 reflects the rise in pig prices rise from a low of €120 per 100kg in March to €146 in December, an increase of 22%, following tightening supplies across Europe and improving demand on global markets.

The number of slaughter pigs over 50kg continued to fall, by as much as 8%, partly since live exports of weaners to countries such as like Germany and Poland for finishing has continued to become an increasingly important part of the Danish pig industry. This will lead to ongoing tighter supplies of pig meat for export including possibly to the UK. Denmark is the largest supplier to the UK. Numbers of young pigs were also back, by 3%, with a smaller fall in piglet numbers with the lower breeding herd reported in October contributing to this.

### Recovery for bacon sales?

Bacon is a popular and versatile red meat product and GB volume sales appear to be on the rise but what factors are contributing to this increase?

Over 40,000 tonnes of bacon were sold by GB retailers in the 12 weeks ending 1 January 2017, up by around 6% on the same period in the previous year, according to Kantar Worldpanel data. Sales were helped by falling prices, which restricted the growth of the category in value terms to 0.6% in the same period. This represents a recovery for bacon from the early part of the year, when the category was falling in both

value and volume terms. This meant that over the year as a whole (52 weeks), bacon volumes were up 0.5%, with prices falling by 7% compared to the previous year, to £5.76/kg.

At the start of 2016, bacon sales were lower than the previous year. The publication of a World Health Organisation report (which suggested an increased relative risk of colon cancer due to high levels of red and processed meat consumption) may have contributed to a worsening consumer perception of bacon. However, the AHDB/YouGov Consumer Tracker has since registered a three percentage point decrease in the number of consumers who perceived sausages and bacon as not good for you, between January and October 2016. This suggests that concern about these products is subsiding.

In the food service sector, total bacon servings out of home have remained static for the year ending September 2016, compared with the previous year, according to data from NPD Crest. Bacon sandwiches have performed particularly well, with servings increasing by 5% at breakfast occasions and by 4% as a morning snack in the same period. This supports the finding that the morning meal has become an increasingly important meal occasion for the out-of-home industry.

### Producer share of retail prices remains strong

The share of pork retail prices received by producers remained healthy during January, at 40%. This represented a small fall of less than half a percentage point on December.

Nevertheless, substantially higher pig prices, relative to 2016, meant the share was eight percentage points higher than the same month a year earlier. The EU-spec APP lost 0.69p on the previous month during January, to stand at 153.85p/kg. This, coupled to a small increase in average retail prices, was responsible for the marginal decline in the producer's share month on month.

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

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