

## In this issue

### UK pocketbook and yearbook

Two new publications from AHDB Pork will be published in June, and both provide a valuable source of information about the pig industry. The Pig and Poultry Pocketbook provides key facts and figures about the industry, and allows comparisons with one of the sectors major competitors. The AHDB Pork Yearbook includes a raft of performance data, which will be of use to producers. Read further on **page 4**.

### Little uptake of EU pig meat quotas

There are a large number of EU pig meat quotas but uptake by supplying countries is very low. This is unlike the other meat sectors where many of the quotas that apply are more heavily utilised by traders. Interest in EU quotas and how they might be allocated has increased as a result of Brexit. This article summarises the pig meat quotas and the extent to which they are currently utilised. It also covers the overall level of EU and UK imports from the global market in recent years. Find out more on **page 6**.

### EU economic recovery continues, but consumer spending set to slow

The European Commission (EC) has released its latest economic forecast (Spring 2017), which predicts the likely shape of the EU and member state economies through to 2018. It highlights that the European economy has entered its fifth year of recovery, which is now reaching all EU Member States. This is expected to continue at a largely steady pace this year and next. GDP growth in the EU as a whole is expected to remain constant at 1.9% in both years (up from 1.8% in both years in the Winter Forecast). More key points from this forecast can be found on **page 7**.

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## Key data

	Apr-17	Change since Mar-17	Change since Apr-16
Average GB carcass weight - kg	82.78	-0.30	+0.27
30kg weaner price - £/head	58.21	+1.56	+20.77
7kg weaner price - £/head	40.50	+1.48	+11.65
GB APP (Euro-spec) - p/kg dw	159.03	+4.42	+42.20
GB SPP (Euro-spec) - p/kg dw	156.11	+4.58	+42.92
EU Reference price - €/100kg dw	168.85	+12.39	+41.36
UK Reference price - €/100kg dw	181.50	+8.51	+39.84
UK weekly clean pig kill - 000 head	165.5	-30.7	-45.2
UK weekly pig meat production - 000 tonnes	14.3	-2.8	-3.8
UK pork imports - 000 tonnes*	44.5	+8.9	+14.3
UK bacon imports - 000 tonnes*	21.2	+3.3	+1.7
UK pork exports - 000 tonnes*	19.1	+3.2	-0.5
Retail pig meat sales - 000 tonnes†	54.1	+0.3	+2.0
LIFFE feed wheat futures - £/tonne	147.83	+1.15	+42.20
CBOT Soyameal futures - \$/tonne	310.83	-12.93	+13.54

\* Figures relate to March 2017

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 24 April 2017

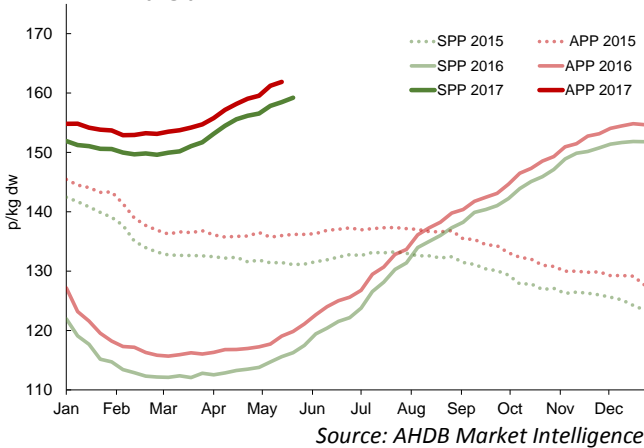
Interested in data? Get more detail about these and other areas from the [AHDB Pork website](http://www.ahdb.org.uk)

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

## UK Market Snapshot

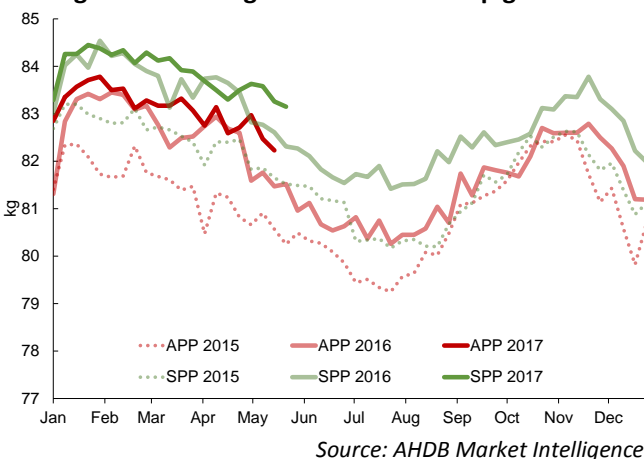
In April, GB pig prices increased strongly, with the monthly average EU-spec APP gaining over 4p on the previous month to stand at 159.03p/kg. This was over 42p higher than in the same month last year. The APP has increased consistently week-on-week since the beginning of March, despite the potential for disruption due to a number of bank holidays. This highlights the currently tight supply situation driving the market. For week ended 13 May, the APP has risen to 161.86p/kg, the highest level since August 2014.

### GB finished pig prices



The SPP followed a similar trend to the APP in April, recording a slightly larger 4.58p price increase on the month to average at 156.11p/kg. This meant the gap between the APP and the SPP narrowed during April. The gap was under 3p/kg for most of April, but has subsequently widened moving into May. For the latest week ended 20 May, the SPP stood at 159.21p/kg.

### Average carcass weights for GB finished pigs

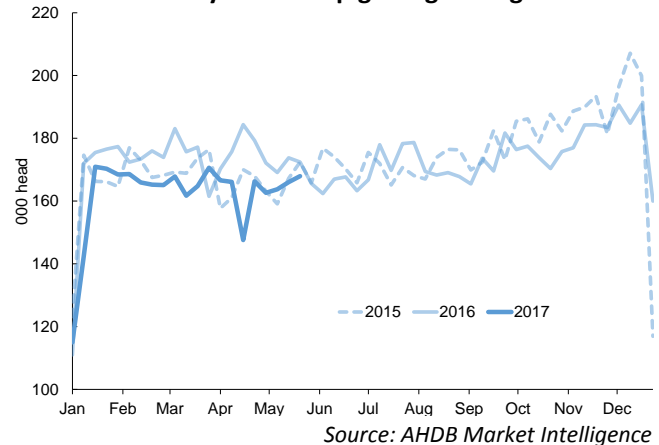


Average carcass weights fell on the month during April, with the SPP sample averaging 83.51kg, 400g less than the month before. Declining carcass weights early in the month helped offset increases recorded in the latter half, which were possibly influenced by the Easter bank holidays. Overall, this meant weights for the month were comparable to year earlier levels. Moving into May, weights have resumed a downwards trend, but are now above 2016 levels due to sharper declines at this time last year.

The GB weaner market also moved up during April, reflecting reports of shortages and developments in the finished pig market. 30kg weaners added £2.75 to average £58.21, while 7kg weaners recorded an increase of £3.79 to reach £40.50. Subsequently, the 30kg weaner price reached £59.78 for week ended 20 May; the highest price since records began in 2006.

At 785,900 head, April clean pig slaughterings were well below (-11%) year earlier levels according to the latest figures from Defra. This adds further confirmation to industry sentiments, that UK pig supplies have been tight since the start of the year. However, the extent of this decline will have been influenced by the later Easter holiday period this year compared to 2016. AHDB estimates indicate that the tight pig supply continued into May as well.

### Estimated weekly GB clean pig slaughterings



Sow slaughterings also remained depressed during April, at 17,300 head. This was a notable 22% lower than April 2016. It's worth noting, as for clean pigs, throughputs will have been affected by disruption in trade due to the Easter holiday period. Nonetheless, this continues the trend of the year so far, and supports the expectation that producers are no longer rationalising their herds as was the case last year. Altogether, these factors resulted in a 10% year-on-year decline in pig meat production during April, to 67,700 tonnes.

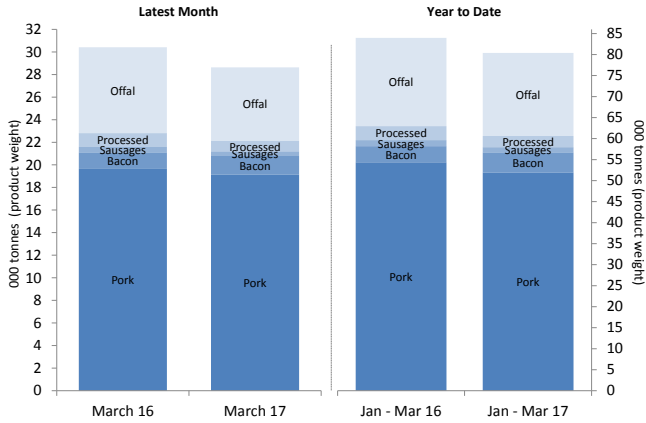
UK exports of fresh/frozen pork in March were 3% lower on the year at 19,100 tonnes, according to the latest data from HMRC. The fall in volume exported highlights the tight supply situation, of both clean pigs and sows, the UK has found itself in domestically since the start of the year. Yet export demand is thought to be relatively strong. While volume was down, the value of shipments in March was 26% higher compared to the same period in 2016, at £27.1 million, driven by a rise in unit prices.

Although China remained the largest destination for British pork, the amount shipped in March fell by 6% year on year to 3,900 tonnes. Likewise, exports to the

# UK Market Snapshot

UK's fifth largest destination, the Netherlands, fell by 10% on the year to 1,400 tonnes. Nevertheless in March, the UK exported 7% more pork to both Ireland (at 3,200 tonnes) and Denmark (at 2,700 tonnes) and 6% more to Germany (at 3,000 tonnes), compared to the same period in 2016. UK export volumes of offal, processed pork and sausages were all lower year on year in March, while shipments of bacon increased.

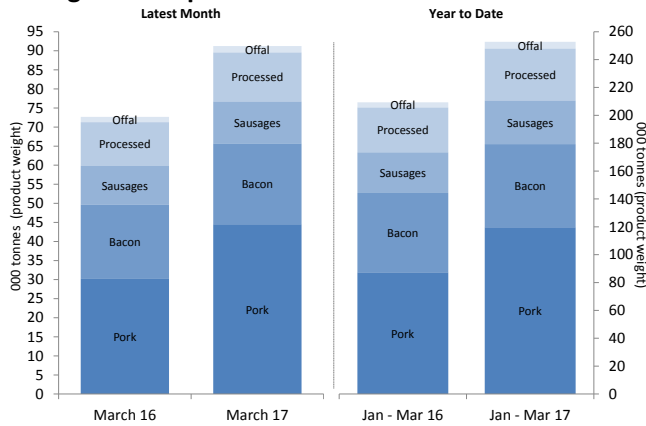
## UK Pig Meat Exports



Source: Her Majesty's Revenue & Customs

Imports of fresh/frozen pork increased once again on the year in March, by 47%, to 44,500 tonnes. Similar to recent months the majority of the increase came from a 125% rise in shipments from Denmark to 18,300 tonnes. Doubts remain though over the validity of the rise, as Danish export figures have not been portraying the same trend.

## UK Pig Meat Imports



Source: Her Majesty's Revenue & Customs

However, volumes imported from Germany, the Netherlands, Spain and Ireland all rose, which would suggest an overall rise in imports of pork in March and yet the average import price was up 23% on March last year. This is likely to have been driven, once again by the tight domestic supply situation we have seen since the start of the year. Imports of bacon, sausages, processed pork and offal to the UK were also all higher in March, compared to the same period in 2016.

During the 12 weeks ended 24 April, primary pork

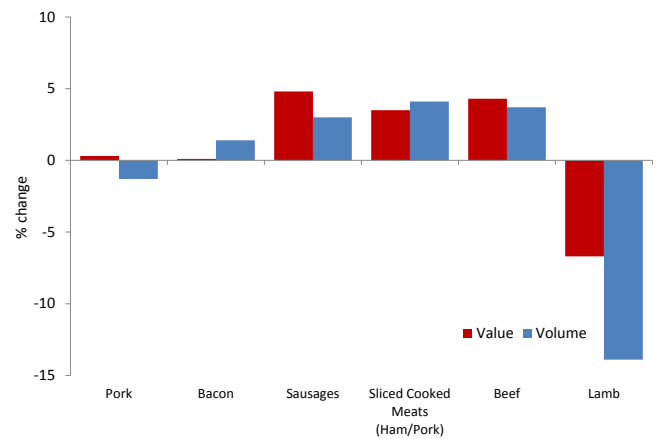
volume sales were down just over 1% compared to the previous year, according to the latest data from Kantar Worldpanel. However a 2% increase in average retail prices meant that the value of sales was actually broadly stable over the same time frame. Nonetheless, with the important Easter weekend now included in the year-on-year data, Easter sales seem to have been less impressive this year.

Volume sales of pork leg and shoulder roasting joints recorded particular declines over the 12 week period, perhaps linked to reduced promotional activity this year. Loin roasting joints also saw a modest drop in volumes sold, but when combined with a 9% rise in average unit prices, the sales value was higher.

Pork was not the only traditional meat centrepiece affected by declining sales in the 12 weeks ended 24 April. Volumes of fresh/frozen lamb sold were 14% behind 2016 levels, a decline that was particularly driven by roasting joints. Conversely, primary beef sales remained positive, reporting a 4% growth in volume.

Warmer weather during April may have inspired more barbeques over the Easter period this year. Sales of pork sausages reported a 3% growth on the year during the 12 weeks ended 24 April. Non-promotional and Y for £X sales are reported to be driving growth in the wider sausage category.

## Annual percentage change in retail meat purchases (12 weeks to 24 April 2017)



Source: Kantar Worldpanel

While the Y for £X style of promotion has been in overall decline, it is still common in the promotion of barbeque products. The core barbeque season is now fast approaching, with the major retailers moving more barbeque lines into store. How this impacts pork sales volumes will be revealed over the coming months.

The share of pork retail prices received by producers increased by over one percentage point on the month in April, to 41.8%. Furthermore, this remains the largest share received by producers since July 2014.

# UK Market Analysis

## Two new valuable data publications released

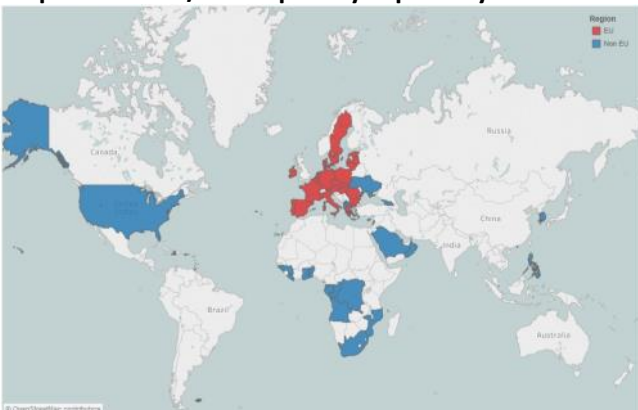
Two new publications from AHDB Pork will be published in June and both provide a valuable source of information about the pig industry. [The Pig and Poultry Pocketbook](#) provides key facts and figures about the industry and allows comparisons with one of the sectors major competitors. [The AHDB Pork Yearbook](#) includes a raft of performance data, which will be of use to producers.

The Pocketbook covers the whole supply chain, from farm to fork, including statistics on the structure of the industry, prices, production levels, carcase classification and retail sales & consumption. The 2017 Pig and Poultry Pocketbook is the fifth edition of this popular publication.

The growth in popularity of poultry meat makes the industry a direct competitor to the pig industry in the UK. It provides a cheap protein source to consumers, with the added perceived benefits of health and versatility. Data collected by Kantar Worldpanel shows GB household pork purchases by volume, have been, for the majority of cuts, declining. Meanwhile, poultry purchases, on the whole, have shown the reverse trend.

Similarly to the pig sector, poultry processors also face carcase utilisation challenges. In particular, chicken breasts are most preferred in the UK, with demand outstripping supply. Dark meat, conversely, is less favoured, which provides the opportunity to export some of the surplus. Annual figures for 2016 illustrate a slight decline in export volumes, a reverse of the trend recorded for pig meat.

## Map of UK fresh/frozen poultry exports by destination



Source: IHS Maritime & Trade—Global Trade Atlas®, HMRC

The EU accounted for 68% of total trade, with the Netherlands and Ireland being the main destinations, although many shipments to the former will likely be for re-export. African destinations were prominent in terms of non-EU markets. Unlike for the pig industry, access to key Asian markets, except for Hong Kong, is not yet available to the poultry sector.

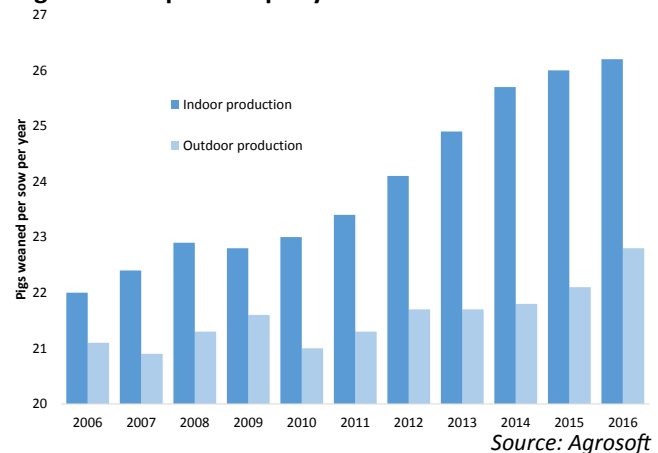
Poultry imports recorded a sizeable increase in 2016 on the year earlier, with the increase in domestic production not enough to satisfy the increase in

consumption. However, initial data for the first quarter of 2017 indicates that the level of imports may be slowing, and indeed back slightly, on 2016. Over 96% of imports were sourced from the EU in 2016, with the Netherlands, Poland and Ireland being primary sources. Further key facts and figures relating to the poultry industry can be found in the 2017 Pig and Poultry Pocketbook.

The [AHDB Pork Yearbook](#) details the work being carried out in Knowledge Exchange, Research, Development and Innovation within AHDB. This covers research projects, field trials, skills and training and the industry in figures. The Yearbook also includes everything from technical performance trends and cost of production data, to carcase weights and average back fat measurements.

The technical performance data provided in the Yearbook offers a comparison between indoor and outdoor production and covers breeding, rearing & finishing herds. This includes comparisons between average and high performing herds and time series showing developments over the past 10 years. Among the tables are some showing the performance of sows by number of pigs weaned per sow per year. This highlights the improvements recorded in performance in indoor production methods, while outdoor production systems have shown a much more gradual upward trend.

## Pigs weaned per sow per year



When the combined figure for pigs weaned per sow per year is compared with our European counterparts, it lags behind. This is primarily caused by the outdoor production figures pulling down the average. That said, even when like-for-like indoor performance is compared, the UK is still off the pace slightly, versus leading countries such as Denmark.

Understanding the current state of the industry and its competitors can help producers make the best possible business decisions and therefore aid in improving returns. This is where publications such as these can provide invaluable information and make an important contribution to supporting the sector.

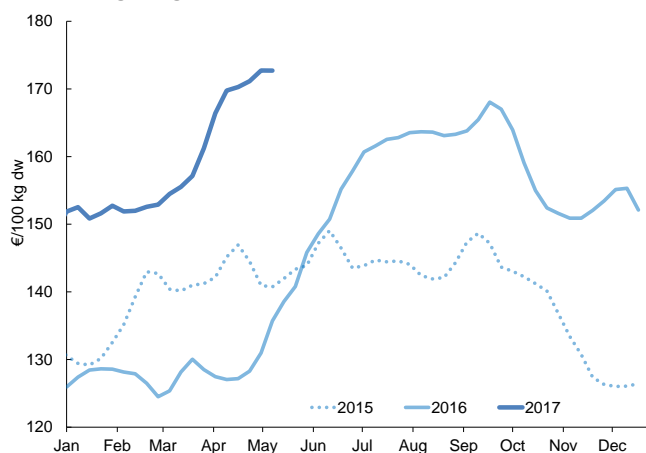
## EU Market Snapshot

EU pig price growth became more subdued following Easter. The EU average pig reference price rose only €3.60/100kg in the four weeks ended 21 May, compared to over €13 in the four weeks prior. Despite this slowdown, at €173.89/100kg, the figure was still almost €35 higher than a year earlier.

Fewer slaughtering days, due to a number of recent public holidays, has likely brought processor demand for pigs more in line with supply. In addition, reports suggest that low temperatures on the continent have delayed the start of the barbecue season, weakening consumer demand for pig meat.

European pig meat must be able to compete on price on the global market, being in strong competition with product from the US, Brazil and Canada. Hence, while an eventual improvement in the weather may improve domestic demand, EU prices will also be heavily influenced by the level of export demand and there are already signs that EU product is losing competitiveness.

### EU Average Pig Reference Price



Source: EU Commission

The UK reference price gained €1.03 in the four weeks leading to 21 May, reaching at €184.89/100kg.

EU exports of all pig meat products (including offal) to third countries grew by 5% year-on-year in the first three months of 2017, according to latest figures from the EU commission. A rise in demand for pig meat from Hong Kong (+12%), Japan (+9%) and South Korea (+38%), outweighed a year on year decline in volumes shipped to the EU's largest destination China (-3%).

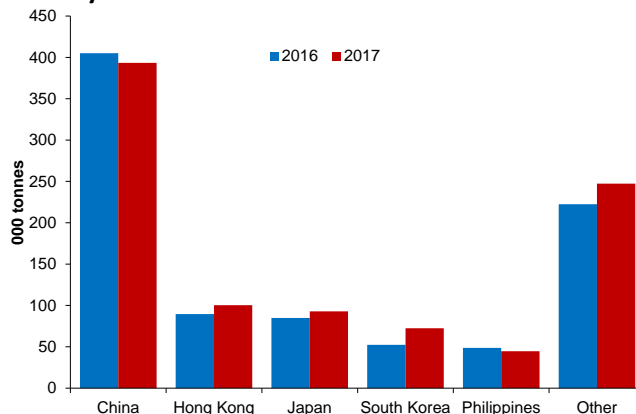
An increase in shipments of fresh/frozen pork was the main driver behind the overall rise in exports of total pig meat. Shipments of pork were 9% higher than in Q1 2016, with volumes to both Hong Kong and South Korea increasing by around a third on the year. Exports to the US were also up, by 13%, while Japan showed a more modest 4% growth. Conversely, shipments to China were down 2% compared to the period in 2016.

Furthermore, offal exports were affected by a slowdown in Chinese demand (-4%), with the Philippines also taking 14% less. However, overall the decline in total offal shipments

was negligible during the first quarter of the year. Volumes exported to Japan more than doubled, while shipments to South Korea were up 67% compared to Q1 2016.

### EU total pig meat exports to third countries

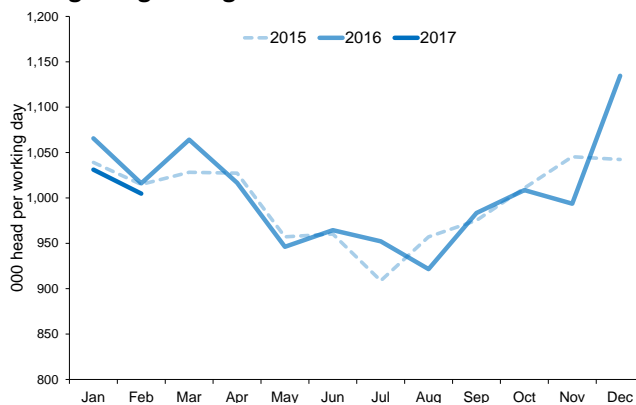
#### January-March



Source: EU Commission, IHS Maritime & Trade—Global Trade Atlas®

Provisional figures from the EU Commission and Defra suggest that EU pig meat production decreased in February by 5% year-on-year, to 1.85 million tonnes. However, due to 2016 being a leap year, there was one less working day in the month this year. This means that, when production is compared on a like for like basis, the decline reduces to less than 1%. Similarly, clean pig slaughtering were back 6% in February compared to a year earlier, at 20.1 million head, but this is only a 1% decline on a like-for-like basis. Carcase weights though were up nearly 600g on February 2016.

### EU Pig Slaughtering Trends



Source: Eurostat

These trends are in line with EU Commission forecasts published earlier this year, which anticipated a small decline in pig slaughter during Q1. This followed from December census results indicating that major producing states had rationalised their breeding herds. However, the December figures also showed that in-pig gilt numbers in the EU were up 2% on December 2015. Also in Denmark breeding pig numbers on 1 April were 1% higher than a year earlier with producers likely encouraged by significantly improved pig prices compared to early 2016. As such, while sharply rising prices suggest EU supplies have certainly been tight in more recent weeks, the situation may ease moving forward.

# Global Market Analysis

## Little uptake of EU pig meat quotas

There are a large number of EU pig meat quotas but uptake by supplying countries is very low. This is unlike the other meat sectors where many of the quotas that apply are more heavily utilised by traders. Interest in EU quotas and how they might be allocated has increased as a result of Brexit. This article summarises the pig meat quotas and the extent to which they are currently utilised. It also covers the overall level of EU and UK imports from the global market in recent years.

Information on quotas comes from the European Commission, with the regulations published in the Official Journal and quota utilisation from different websites. The various sources can make it difficult to obtain a complete picture. Most quotas were incorporated into the Uruguay Round of GATT, now the WTO, but some quotas have been agreed subsequently. They come under different order numbers and AHDB analysis indicates that they amounted to just over 135,000 tonnes in the last full year. They are mostly July 2015 to June 2016, although some are allocated on a calendar year basis. Unlike sheep meat in particular, where zero tariffs are applicable, import duties still apply to most of the pig meat quotas. The only ones where they do not apply is order 09.0119 defined as "Pig meat, fresh, chilled or frozen", the two Ukraine-specific quotas and one for Chile. Otherwise tariffs for fresh, chilled and frozen pork range from €233 to €434 per tonne with generally higher tariffs for processed products.

### EU pig meat quotas and usage in July 2015 to July 2016

Order number	Product description	Annual quota* tonnes prod. wt	Quota utilised	Proportion utilised (%)
<b>Fresh, chilled, frozen pork</b>				
09.0118	Tenderloin	5,000	3	0
09.0119	Pigmeat	7,000	4	0
09.0122	Carcases, half carcasses	15,067	0	0
09.0123	Bone-in, boneless cuts	6,135	286	5
09.4038	Boned loins and hams	35,265	935	3
09.4170	Boned loins and hams from USA	4,922	0	0
09.4204	Cuts from Canada	4,624	0	0
09.1921	Pig meat (inc. processed) from Chile	8,050	2,254	28
09.4271	Pork from Ukraine	20,000	0	0
09.4272	Cuts (exc. hams, loins, boneless) from Ukraine	20,000	0	0
<b>Processed</b>				
09.0120	Sausages	3,002	590	20
09.0121	Other prepared or preserved	6,161	17	0
<b>TOTAL</b>		<b>135,226</b>	<b>4,089</b>	<b>3</b>

\* Figures in red are for calendar year 2016

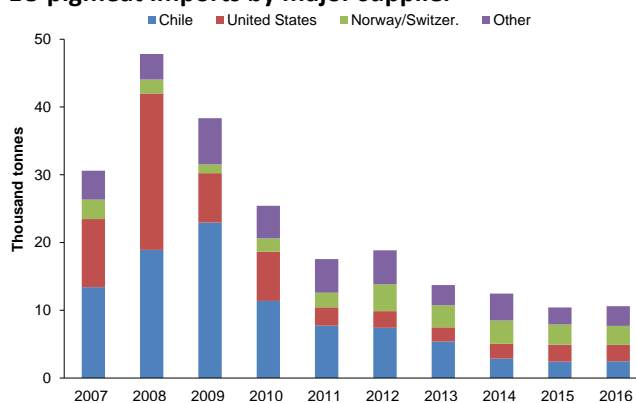
Source: AHDB, EU Commission

Of the various quotas only the Chilean quota and the one for sausages are used to any significant degree and even for these the uptake is less than 30%. Other quotas are not utilised at all or only marginally so, including all the largest quotas, such as the 40,000 tonnes for Ukraine and the 35,265 tonnes for boned loins and hams. The quotas specific to the United States and Canada are also not utilised. The fact that the quotas are hardly utilised at present has not always been the case. For example, the one for boned loins and hams had been more heavily used until 2010 although for the majority uptake has remained low historically as well. It should be noted that following the [EU-Canada Free Trade Agreement](#) (CETA), Canada has

been allocated an additional quota of 62,500 tonnes product weight which, in the first year of the transition period, amounts to 10,417 tonnes under zero tariff.

Figures for the EU indicate that pig meat imports (excluding offals) in 2016 amounted to 10,600 tonnes with shipments having fallen steadily since 2008 when they amounted to nearly 48,000 tonnes. Since 2009, Chile has been the largest supplier, but with its shipments declining steadily from 2010 onwards, followed by the United States. Fresh, chilled and frozen pork accounts for about 80% of total EU imports with the ratio of chilled to frozen being 25:75.

### EU pigmeat imports by major supplier



Source: HIS Maritime & Trade - Global Trade Atlas®, Eurostat

Of the EU total, the UK imported 1,700 tonnes in 2016, a figure that has hardly changed in the last three years but represents a substantial decline compared with the 10,000 tonnes in 2008. Trade in 2016 was dominated by the United States, which represented over 90% of the total, as was also the case in 2008. Trade mainly consists of chilled boneless cuts plus smaller volumes of sausages. Chile is no longer a significant supplier to the UK and shipments only amounted to 6 tonnes in 2016 compared to a peak of 3,300 tonnes in 2009.

The analysis clearly indicates that, unlike all other meats, imports from the global market are not important on the EU pig meat market. There are a number of reasons for this. The EU does not allow pig meat from pigs produced using ractopamine, which is used extensively in other parts of the world, nor production practices not involving loose housing. Market access can also be an issue for example in the case of Brazil. The attractiveness of the EU market has also tended to diminish, partly as a result of exchange rates, given the weakening of both the euro and sterling especially against the US dollar since the 2008 economic crisis. For the UK, even as a result of Brexit and hence the possibility of FTAs or improved market access for exporting countries, a large upsurge in imports in least in the medium term seems unlikely. However, that is not to say though that the UK pig sector should be complacent in meeting any competitive threats. In the long term changes in production practices, as other exporters such as Canada are now adopting, or access to the UK market could facilitate increased imports from the global market.

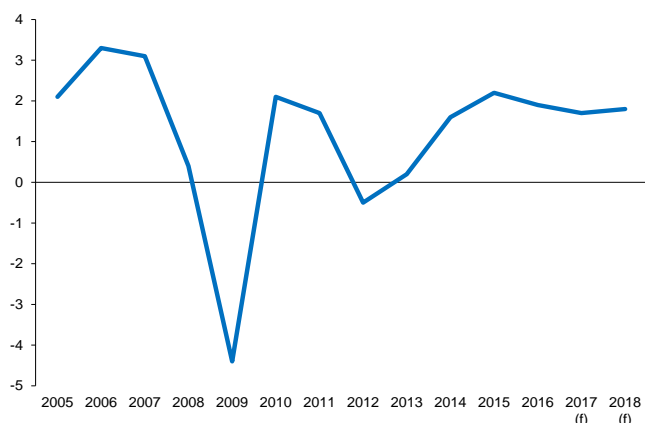
# Global Market Analysis

## EU economic recovery continues, but consumer spending set to slow

The European Commission (EC) has released its latest economic forecast (Spring 2017), which predicts the likely shape of the EU and member state economies through to 2018. It highlights that the European economy has entered its fifth year of recovery, which is now reaching all EU Member States. This is expected to continue at a largely steady pace this year and next. GDP growth in the EU as a whole is expected to remain constant at 1.9% in both years (up from 1.8% in both years in the Winter Forecast).

The global economy has gathered momentum, as both advanced and emerging economies growth rates picked up late last year. Global growth (excluding the EU) is expected to strengthen to 3.7% this year and 3.9% in 2018 from 3.2% in 2016 as the Chinese economy remains resilient in the short term. This growth could also reflect positively on prospects for the global pork market, where demand from China, the largest global pig meat importer, is key.

### GDP (% year-on-year) EU 28



Source: Eurostat

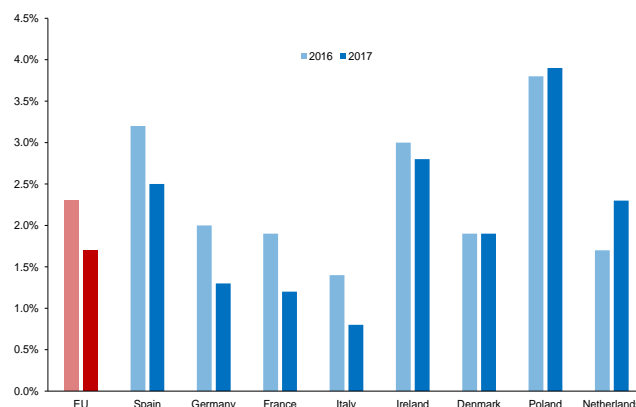
However, inflation has risen significantly in recent months in the EU, mainly due to oil price increases. Inflation in the euro area is forecast to rise from 0.2% in 2016 to 1.6% in 2017 before returning to 1.3% in 2018 as the effect of rising oil prices fades away. Any increase in inflation, in particular when it exceeds wage rate growth, will negatively impact consumer demand.

As such, private consumption expenditure (or consumer spending), the main driver of EU GDP growth, is set to moderate this year as inflation partly erodes gains in the purchasing power of households. As inflation bites, consumers have less disposable income and can be expected to cut back expenditure on all goods and services, including food purchases. However, this does follow from the fastest rate of consumer spending growth in 10 years during 2016.

For the pig meat industry, a forecast slowdown in consumer spending in Germany, Spain, Italy and France, all important EU pork consumers, could be particularly

relevant. This might feed into the already declining consumer demand for pork within the EU (to read more click [here](#)), perhaps encouraging a reduction in purchases or a switch to cheaper poultry meat. However, the slowdown is not universal, with consumer spending in Denmark expected to stand on 2016 levels this year, while growth in the Netherlands and Poland is actually forecast to increase on the year.

### Annual change in consumer spending in selected EU member states, Spring 2017 forecast



Source: European Commission

Moving into 2018, inflation is forecast to ease and so private consumption expenditure is then anticipated to pick up slightly across the EU. However, the outlook for key pig meat consuming countries remains mixed. Forecast improvements to German, Italian and French consumer spending are contrasted with some slowing from Spain and the Netherlands.

Overall investment in the EU is expected to expand fairly steadily but remains hampered by the modest growth outlook. Investors will be affected by expectations of growth and future demand, and the expected market price of their output. Slow growth and significant downside risks to the forecast will make investors cautious, and will impact the level of investment across the EU.

Unemployment continues its downward trend, but it remains high in many countries. In the EU as a whole it is expected to fall to 8.0% in 2017 and 7.7% in 2018, the lowest since late 2008.

The risks to the EU Spring forecast are tilted to the downside. External risks are linked, for instance, to future US economic and trade policy and broader geopolitical tensions. China's economic adjustment, the health of the banking sector in Europe and the upcoming negotiations with the UK on the country's exit from the EU are also considered as possible downs.

Altogether, while the overall outlook for the European economy appears broadly positive, rising inflation and political instability offer reasons for caution. The extent to which these developments might impact on the European meat sectors will become apparent as the year progresses.

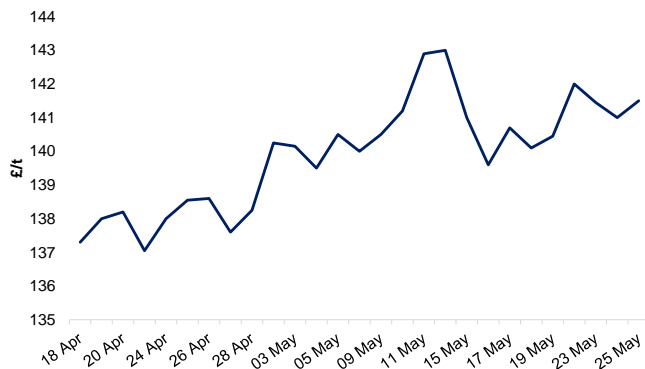
# Feed Market

## Grains

There is little doubt that weather is the word of the month for arable markets, be that too little rainfall in Europe or too much rainfall and snow in parts of the US.

UK feed wheat futures (Nov-17) increased by £3.70/t (2.7%) between 18 April and 24 May to close at £141/t. In response to weather concern futures had risen further mid-month climbing to £143/t on 12 May, a contract high, before falling back as rainfall hit the UK relieving potential crop stress. Paris wheat futures (Dec-17) fell by €2.75/t since 18 April to close at €171.25/t on 24 May.

### UK feed wheat futures (Nov-17)



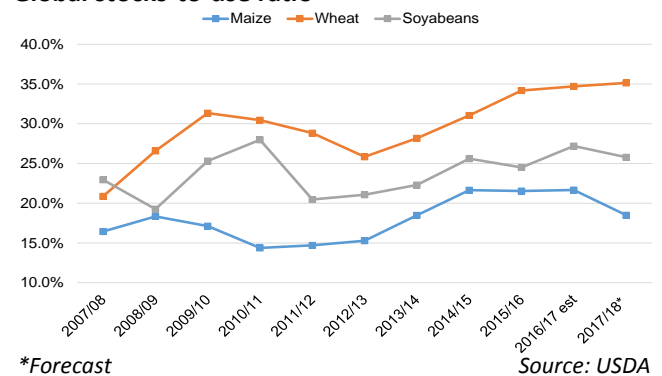
Source: AHDB

Similar relief was seen in Chicago wheat futures, with prices also climbing early in the month on concern of wet weather in parts of the US and snow in Kansas, peaking at \$179.75/t on 2 May. The subsequent releases of US crop condition reports eased concerns, and the release of the USDA World Agriculture Supply and Demand Estimates (WASDE) helped to ease markets (read more below). Chicago wheat futures (Dec-17) closed down \$1.56/t from 18 April to \$171.85/t on 24 May.

As mentioned above the big data release mid-month was the USDA WASDE, which contained the first projections for 2017/18. The release highlighted total maize output is expected to decline by 31.4Mt in 2017/18 to 1.03Bt. However, global demand is projected to increase by 2.2% to 1.06Bt. End-season stocks are forecast at 195.3Mt, 12.8% lower year on year and the lowest since 2013/14. It is more meaningful to look at the stocks-to-use (STU) ratio rather than just stock levels in isolation. The maize STU ratio in 2017/18 is forecast at 18.5%, equal to that in 2013/14.

Global 2017/18 wheat production is forecast 2% lower year on year at 737.8Mt, but is the second highest figure on record. However total consumption is also expected to decline, only slightly, meaning that closing stocks for next season are seen 1.2% higher at a record 258.3Mt. The STU ratio for wheat is projected at 35.1% in 2017/18 up from 34.7% this season.

## Global stocks-to-use ratio



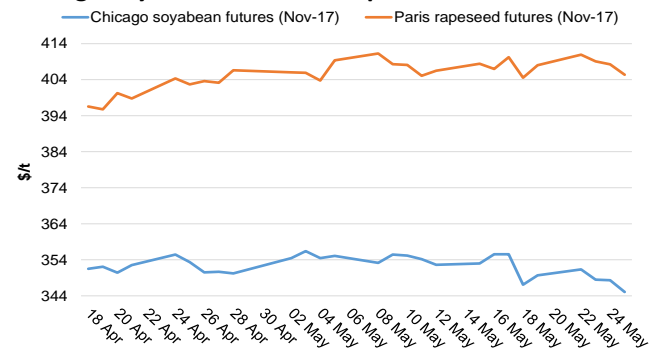
\*Forecast

Source: USDA

## Protein

Global protein markets moved down over the month (18 April to 24 May), but as with grain markets, started the month moving higher on weather concerns. Rainfall in the US threatened to delay plantings of soyabeans which pushed Chicago soyabean futures (Nov-17) up to a mid-month high of \$356.38/t. Chicago soyabean futures (Nov-17) closed at \$348.3/t on 24 May, down \$3.21 from 18 April.

### Chicago soyabean and Paris rapeseed futures



Source: AHDB

Similar moves were seen in Paris rapeseed futures which felt the combined lift from delayed soyabean planting concerns and also the release of Canadian canola (rapeseed) stock levels, which were at their lowest level for the past four years at 6.6Mt. Paris rapeseed futures increased to €376/t on 8 May before falling back later in the month to close at €364.75/t on 24 May, as the release of the WASDE pressured markets.

As with grains, the USDA WASDE estimates that global soyabean output is to fall in 2017/18, with the new crop forecast at 344.7Mt compared with 348.0Mt in 2016/17. Consumption is forecast at 344.2Mt, 12.9Mt higher year on year. Subsequently, 2017/18 closing stocks are projected at 88.8Mt, 1.3Mt lower than 2016/17's record levels. The global STU ratio is forecast at 25.8%. The global stocks level was higher than expected which added weight to the market.

UK delivered rapeseed prices followed the overall global downward trend. Rapeseed delivered into Erith (Spot) finished the month at £333.50/t (19 May), down £7.50/t from the 21 April.



## In Brief

### Lingering effect of meat scandal on Brazilian exports?

Following the Brazilian meat “scandal” pork exports from Brazil fell on the year in March and April, by 3% and 16% respectively. This followed positive movements in export volumes during the first two months of the year.

In mid-March it was discovered that a number of meat processors were implicated in corruption, involving the export of meat unfit for human consumption. This led to the temporary closure of a number of key markets to Brazilian meat products, most notably China and Hong Kong. Brazilian pork competes with the UK on the important Chinese market, so developments here can impact on our own export prospects.

In March, shipments of Brazilian pork to China and Hong Kong were back 24% and 27% on the year respectively. This reflects the period of around a week when a total ban on imported Brazilian meat was enforced. Following updated information from Brazilian authorities, some countries that had enforced a ban (including China) relinquished the restrictions. Other destinations, including Hong Kong, kept restrictions on plants that were under investigation.

Despite the majority of restrictions being lifted, Brazilian pork exports remained 16% lower year-on-year in April, driven by substantial declines in shipments to Hong Kong (41%) and China (59%). Shipments to both markets were also down on March this year. This may be due to importers switching to alternative suppliers both during and beyond the ban. Despite these difficulties, shipments to Brazil’s primary pork export market, Russia (which did not impose any restrictions) have continued to increase.

Over the next few months, it will be interesting to see whether the scandal will have a lingering impact on the reputation of Brazilian meat on the export market and further depress trade flows.

### Japanese imports still growing – for now

Following a trend seen throughout most of 2016, Japanese pork imports continued to grow modestly during the first quarter of the year being up 8% year-on-year. In contrast to the trend seen early in 2016, the US and Canada were the main beneficiaries of the import growth. Volumes from the US were 10% higher than 2016 levels, while Canadian shipments grew a healthy 19%.

In contrast, EU shipments did not show any increase on the year and consequently lost 2% of the market share. The stagnation of imports from the EU, which consist almost entirely of frozen product, likely comes of the back of elevated shipments when prices were low in 2016. Supplies are reported to have exceeded demand from processors, leading to a 5% increase in stocks at the end of 2016. As such, the EU may struggle to make gains on the Japanese market this year not helped by increasing EU pig prices.

### US pork exports up in Q1 2017

The US exported 442,200 tonnes of fresh/frozen pork during the first quarter of 2017, which was 19% more than the same period last year. With US pig production rising over the same time frame, the rise in shipments may not have come as a surprise. Mexico remained the largest destination for US pork in the first quarter of 2017, with volumes shipped increasing by 37% year on year, to 160,800 tonnes. Growth was also recorded in shipments to Japan (+7% year on year) and South Korea (+32% year on year).

With US pig meat production currently forecast to rise by 5% on the year in 2017 by the USDA, it is likely that its export campaign will remain strong for the rest of the year. Obviously this is dependent on a number of factors, but if the current pace continues, the US are likely to outstrip its current pig meat export forecast of 8% growth. Nevertheless, the US are expected to face stiff competition from the EU this year into Asian markets, especially China.

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

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