

In this issue

Marketing Campaign

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Pigs 2022 providing food for thought

The recent Pigs 2022 conference provided a wealth of information, opinion and insight over the two-day event. The first day provided the “International Outlook Conference”, with presentations from stalwarts of the industry, while the second day played host to the “Innovation Conference”, which looked to address some of the big issues affecting the industry today. Find out more on [page 5](#).

Mexico becoming a global pig meat player

Mexico is becoming an increasingly important player on the global pig meat market. Production is rising in response to increasing consumer demand while pig meat imports continue to grow. At the same time, it has established itself as a small but growing exporter. Imports are supplied by other NAFTA members but this agreement is now under threat. More insight can be found on [page 8](#).

EU pig meat demand still struggling

Consumer demand for pig meat in key EU markets continues to struggle in 2017 and it is more export demand that is supporting the EU market. Fresh pork has been under the greatest pressure as processed products have held up better. What happens to domestic demand in supporting the EU pig meat market in the coming months could be crucial as EU export markets are becoming more competitive. Read more on [page 7](#).

In order to keep AHDB’s levy payers updated with the latest market analysis, starting in July, the content usually found in this publication will instead be published in a more timely manner in Pig Market Weekly and on the market news section of the AHDB Pork website:

<http://pork.ahdb.org.uk/prices-stats/news/>

We hope you’ve enjoyed reading Pig Market Trends. For regular market updates and pricing information delivered quickly and directly to your email inbox, please subscribe free of charge, to Pig Market Weekly by emailing

redmeat.mi@ahdb.org.uk

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Key data

	May-17	Change since Apr-17	Change since May-16
Average GB carcass weight - kg	82.20	-0.58	+0.77
30kg weaner price - £/head	59.90	+1.69	+21.34
7kg weaner price - £/head	42.90	+2.40	+13.72
GB APP (Euro-spec) - p/kg dw	163.23	+4.20	+43.77
GB SPP (Euro-spec) - p/kg dw	159.64	+3.53	+43.63
EU Reference price - €/100kg dw	174.01	+5.16	+37.16
UK Reference price - €/100kg dw	185.06	+3.55	+37.32
UK weekly clean pig kill - 000 head	197.9	+32.1	-7.8
UK weekly pig meat production - 000 tonnes	16.9	+2.6	-0.6
UK pork imports - 000 tonnes*	36.0	-8.5	+6.6
UK bacon imports - 000 tonnes*	15.3	-5.9	-3.1
UK pork exports - 000 tonnes*	18.6	-0.6	-1.3
Retail pig meat sales - 000 tonnes†	40.6	-13.5	-12.5
LIFFE feed wheat futures - £/tonne	147.63	-0.20	+41.19
CBOT Soyameal futures - \$/tonne	309.38	-1.45	-60.30

* Figures relate to April 2017

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 21 May 2017

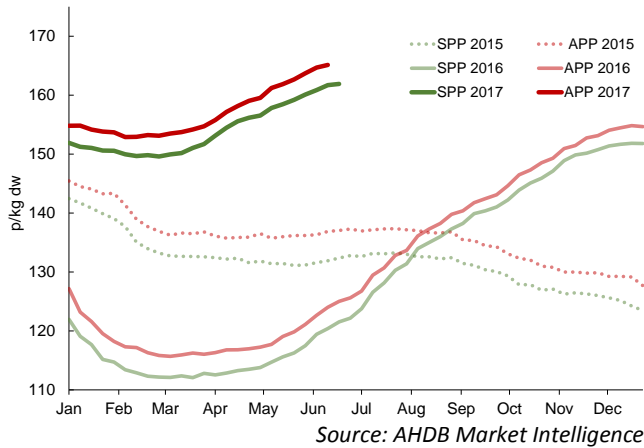
Interested in data? Get more detail about these and other areas from the [AHDB Pork website](#)

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

UK Market Snapshot

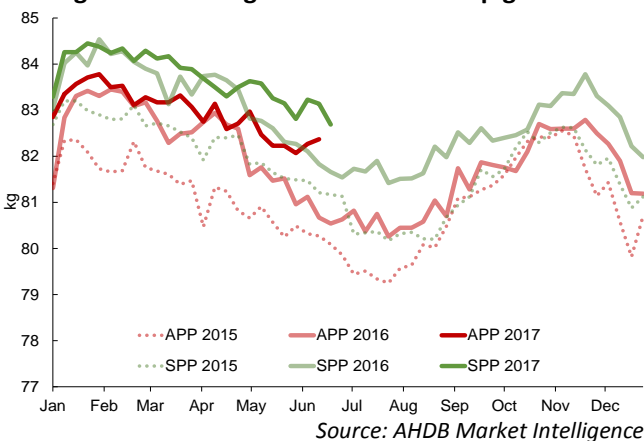
In May, GB pig prices continued their upward march. The monthly-average EU-spec APP gained 4.2p compared to April, reaching 163.23p/kg. This meant the figure was almost 43.8p above the equivalent year earlier figure. Price increases have continued into the first two weeks of June, meaning prices have now been rising for 15 consecutive weeks. For week ended 10 June, the APP stood at 165.13p/kg, the highest figure since June 2014.

GB finished pig prices



The EU-spec SPP followed a similar trend to the APP in May, with the price increasing by over 3p during the month to average at 159.64p/kg. With the APP increasing at a slightly stronger rate than the SPP, the gap between the two series grew slightly as the month progressed. The APP price premium started May at 3.4p, and had increased to 3.8p for the first week in June, although this has since fallen back. The latest SPP, for week ended 17 June was 161.91p/kg.

Average carcass weights for GB finished pigs



In May, average carcass weights declined over half a kilo compared to the previous month, with the APP sample averaging 82.2kg. There was a downwards trend throughout the month, although there was some uplift in the first two weeks of June. Compared to a year earlier, carcass weights continue to trend higher and the difference is increasing. In May, the APP sample averaged 0.8kg higher than the same period in 2016. This was the largest year-on-year increase for any month in 2017.

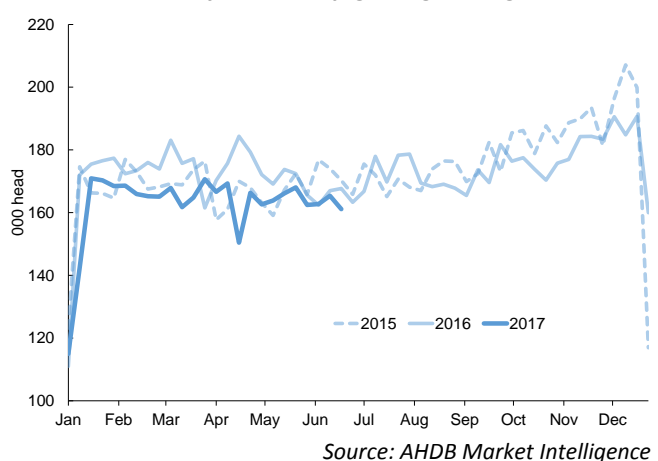
The GB weaner market also showed a generally increasing

trend during May. 7kg weaners gained £2.40 on the month, to average £42.90 during May. 30kg weaners saw a more modest price increase of £1.69 during the month, to average £59.90. Nonetheless, this series continues to reach record levels, with the current high being £60.86 per head recorded for week ended 17 June.

UK production of pig meat was 74,300 tonnes in May, up 1% compared to the same month in 2016, and the first year on year increase seen in 2017, according to latest data from Defra. The increase in May came about due to higher throughputs of clean pigs and sows, which may be related to an extra working day in May this year. May saw 870,800 clean pigs slaughtered, which is 83,300 more than in April and nearly 1% higher than a year earlier.

Clean pig carcass weights were also 600g heavier than in May last year. Although, weights have been declining for the past few months and this typical seasonal trend continued into May, with the average weight coming in at 82.1kg. This is a further 900g lighter than the month before.

Estimated weekly GB clean pig slaughterings



Sow slaughterings increased slightly month on month, to 19,300, although the longer-term downward trend persists. The figure is 7% below that seen in May 2016 and further supports the view that stability is gradually coming into the breeding herd.

UK exports of fresh/frozen pork remained behind year earlier levels in April, at 18.6 thousand tonnes. This was 7% lower than the same period in 2016, although this still represented a 27% increase on 2015. Increased average unit prices also meant the value of UK pork exports was 9% higher year-on-year, at £24.1 million. This was helped by higher European pig prices compared to a year earlier, alongside the weakness of the pound which minimises any price rises in the currency of importing nations.

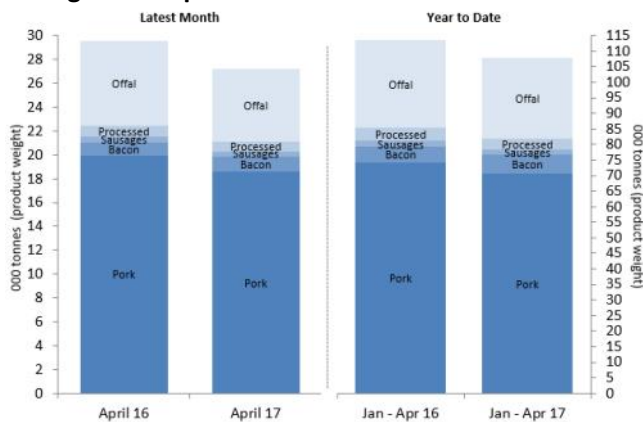
European shipments were largely responsible for driving the overall decline in export volumes. In particular, lower sow slaughterings this year led to a notable decrease in exports to Germany, with volumes down on the year by

UK Market Snapshot

almost a third. Shipments to Ireland, the Netherlands and Sweden also posted declines, although there was a modest increase in exports to Denmark (+8%) compared to the same month last year.

Nonetheless, shipments to China continued to increase during April, reaching 4.5 thousand tonnes which was 17% higher than a year earlier. This meant exports to China occupied almost a quarter of the total export market volume during the month. UK pork must be competing successfully on the Chinese market, given their import volumes were actually behind year earlier levels during April. With Chinese import demand reported to be slowing, the success of UK exports to this market for the rest of 2017 remains to be seen.

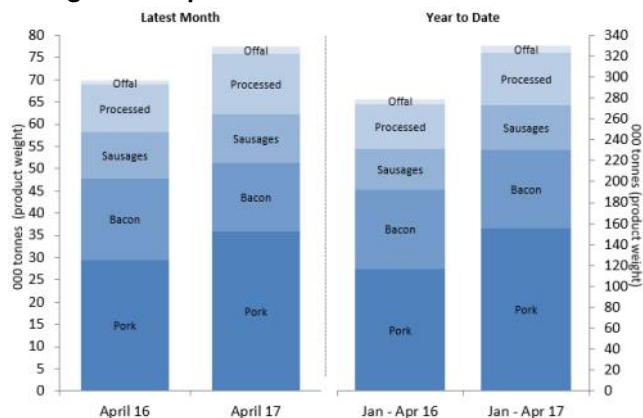
UK Pig Meat Exports



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

Fresh/frozen pork import volumes continued to climb on the year during April; rising 22% to 36 thousand tonnes. Contrary to previous months, the increase was not primarily driven by rising Danish shipments, which were only a relatively modest 7% higher year-on-year. Instead, increasing shipments from other European countries was key. Imports from Germany showed particularity strong growth compared to April 2016. This may be related to the takeover by Tonnies of Tican. As a result de-boning and bacon processing of pig meat for the UK market has been transferred from Denmark to plants in Germany and the UK. The logistical change was originally announced last year.

UK Pig Meat Imports



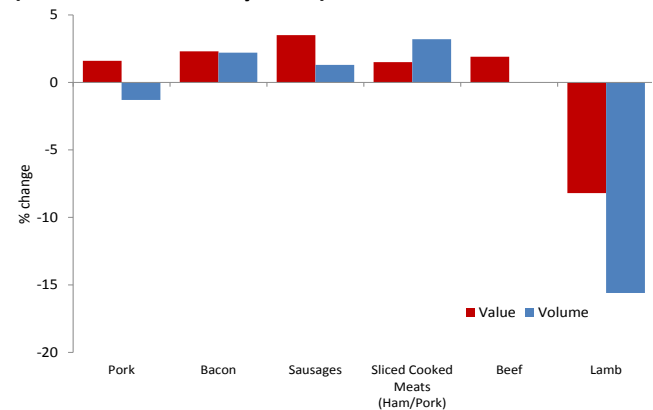
Source: HMRC, IHS Maritime & Trade-Global Trade Atlas®

Bacon imports, the second largest imported pig meat product by volume, declined 17% in April compared to a year earlier. This was driven by falling shipments from both Germany and Denmark, again possibly reflecting the move towards importing more pig meat as pork and processing it into bacon in the UK.

Volumes of fresh and frozen pork sold by UK retailers in the 12 weeks ending 21 May fell by 1.3%. It has been something of a challenging year for the segment so far where volume is concerned, according to data provided by Kantar Worldpanel. However, total spend was up by 1.6%, reflecting price inflation which has been seen across all red meats, as consumers start to feel the pinch. Fresh and frozen pork saw prices rise 2.9% year on year.

The onset of BBQ season can result in some changes in pork demand. Roasting joints have suffered accordingly, not helped by the fact that these cuts have also seen the greatest price rises. Sausages have been selling well; 1.3% higher despite being 2.1% more expensive. Perhaps encouraged to BBQ by the drier weather in the period running up to 21 May, shoppers have been making bigger trips, although retailers have also felt a reduced need for promotions. Bacon prices have hardly changed and sales have performed relatively well, up 2.3%. The largest single sector by value is sliced, cooked meats, which is one of the few areas where prices have actually fallen and has seen increases in both sales volume (3.2%) and value (1.5%).

Annual percentage change in retail meat purchases (12 weeks to 21 May 2017)



Source: Kantar Worldpanel

The producer's share of the retail pork price increased marginally in May, reaching 43.2%, the highest point of the year so far. This was one percentage point greater than April, while 11% higher than May 2016. This has now exceeded the July 2014 level and is the largest share received by producers since December 2013. The farmgate price continued to increase slightly in May, rising by 2.6% on April, and up 36.6% on the same period a year earlier. Meanwhile, the retail prices fell 0.6% in May against the previous month, but remained 0.5% above May 2016.

UK Market Analysis

Pork medallions – a healthy, versatile mid-week meal

British retail sales of fresh pork have been in decline for a number of years. Compared with 2012, 20,000 fewer tonnes of pork was sold in 2016, with the decline being accelerated in the last two years, despite falling pork prices. Furthermore, latest data from Kantar World Panel suggests that in the 52 weeks ending 21 May 2017, the volume of fresh/frozen pork sold domestically was 3% lower year on year.

Much of this decline is thought to be due to a fall in the number of households buying pork during the course of the year. Reducing this decline and adding value to the cuts purchased is key for the UK pork industry, as most fresh pork sold by retailers comes from domestic pigs.

With this in mind, AHDB Pork is launching a new marketing campaign in the autumn, which focuses on the promotion of pork for the midweek meal occasion. The fully integrated marketing campaign, which will combine PR, social media, activity in supermarket stores, as well as TV and online advertising, will demonstrate the versatility, ease of cooking and great taste of pork loin and fillet medallions, as an ideal midweek meal – disrupting a midweek market which is currently dominated by chicken breasts.

The challenge is to position pork medallions as a credible, relevant, healthy and tasty midweek meal option. In meeting the challenge, consumers will be educated on the best ways to cook pork, as research has shown that some consumers lack confidence in cooking it, often overcooking, leading to a poor eating experience. Furthermore, consumers will be encouraged to try new recipes and think differently about a meat they may have misconceptions about. Research indicates that consumers feel stuck in a rut, cooking the same midweek dishes, and are looking for inspiration.

Time spent preparing and cooking a midweek evening meal

1980	60 minutes
1990	45 minutes
2013	32 minutes
2016	27 minutes

Source: Kantar World Panel

To help do this AHDB Pork have developed a number of inspiring recipes which are relevant to consumers' time-challenged midweek lives, but will still deliver what they want and need from their evening meal. According to data from Kantar World Panel, the time consumers are prepared to give to preparing and cooking a midweek evening meal has decreased from 60 minutes in 1980 to just 27 minutes in 2016.

Furthermore, research shows that consumers today have other criteria that a midweek evening meal needs to meet, as illustrated below.

Consumer criteria for a midweek evening meal



This latest marketing activity will follow the successful pulled pork campaign, which ran from spring 2015 to spring 2016 and is the second part of a long-term plan to rejuvenate the image of pork among 25-55 year old consumers.

AHDB Pork has worked hard with retailers and processors to get loin and fillet medallions listed in retailers for September, to widen the pork offering in store, as well as appeal to the consumer who is looking for a lean meat.

Underlying all of this work will be health messaging which will surprise many. The campaign will showcase pork medallions as a credible alternative to chicken. Following AHDB Pork's work in consultation with Trading Standards*, the industry can claim that pork loin fillet and loin medallion are low fat and low in saturated fat, as well as high in protein.

AHDB Pork worked in consultation with Trading Standards to undergo product testing, ensuring if challenged the claim was supported by robust evidence. Securing these claims is part of a long-term strategic objective for AHDB Pork, as this is a vital element to dispelling the myth many consumers believe, that pork is fatty and not relevant for today's family midweek menu.

*Buckinghamshire and Surrey Trading Standards

UK Market Analysis

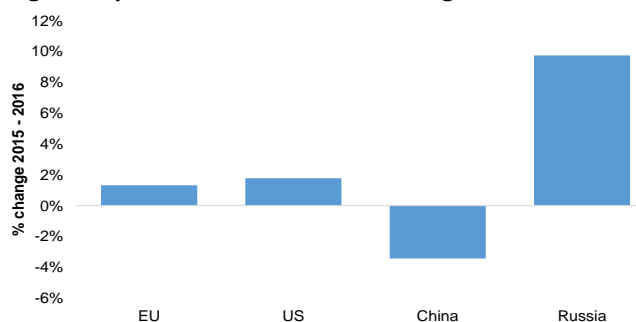
Pigs 2022 providing food for thought

The recent Pigs 2022 conference provided a wealth of information, opinion and insight over the two-day event. The first day provided the “International Outlook Conference”, with presentations from stalwarts of the industry, while the second day played host to the “Innovation Conference”, which looked to address some of the big issues affecting the industry today.

The International Outlook Conference covered a range of topics, including an overview of the global market, an insight into the United States pig industry in the Trump era and an outline of how Denmark is facing the challenges of the global market. After a short break, the audience were brought up to speed with scenarios surrounding the impact of Brexit on the pork sector, before a presentation highlighting what consumers want from pork and finishing with a projection for the future of the British pork industry.

Richard Brown’s (GIRA) global market outlook informed that worldwide meat consumption was increasing. Pork was the major global protein, but has been overtaken by chicken. As is well known, China is incredibly important (in recent years) to the global pork market. Chinese pork consumption is still growing, and imports into China are only coming from a handful of key regions. The US has been expanding their pork production, with the introduction of new packing plants and barns, while EU production is in decline. However, the EU does still account for 21% of global pig meat production. Russia has been gearing up production in a move to increase their export capacity (and on the back of rising pig prices). They are orienting this ambition towards the Asian trade, so could move to be a key competitor for the important Chinese market.

Pig meat production in a selection of global markets



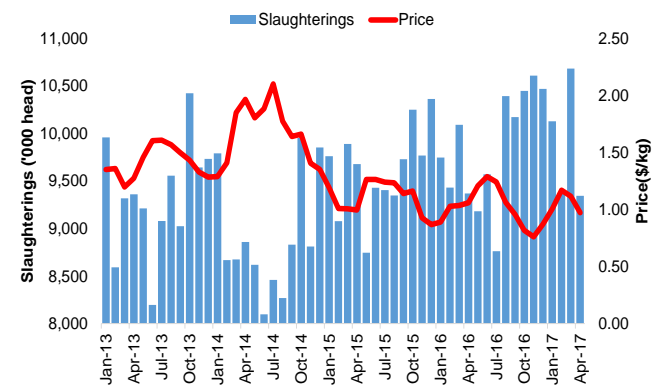
Sources: Eurostat, USDA

However, there was also a timely reminder that one of the key values for Chinese imports is being able to deliver consistently “on-spec”, so emerging markets will need to focus on this in order to compete.

Nicholas Giordano from the National Pork Council – US, offered a snapshot of the US Pork Industry. This industry is becoming more consolidated, and is largely centred on the feed production and processing capacity in the Mid-West. Production has been increasing since the PEDv outbreak of 2014, and new and renovated plants look to add a further 10% to production levels by the end of

2018. With this increase in production comes a more dominant export agenda, with currently around 25% of all production exported. That said there are a number of challenges facing the US pork industry including trade retaliation, currency fluctuations and stagnant domestic population growth. However, with challenges come opportunities. The growing global population, domestic regulatory reform and a focus on new bilateral FTAs are just some prospects that could bear fruit for the industry.

US hog slaughtering vs. price



Source: USDA

Asger Krosgaard from Danish Crown provided an overview on how Danish Crown is geared to face the challenges of a global market. Danish Crown sees the UK as part of its home market, and plans to develop the UK business further after Brexit. It has developed a strategic model to underpin their business decision making. This includes (1) owning the leading position in its home markets, (2) being driven by consumers, (3) creating value for customers and (4) acting as a single unit, following many years of mergers.

There was coverage of various topics in the afternoon sessions. Bruce Ross, an independent EU analyst, gave the room a whistle-stop tour through the implications of Brexit on the UK pork industry. More Brexit insight can be found in AHDB’s series of [Horizon reports](#).

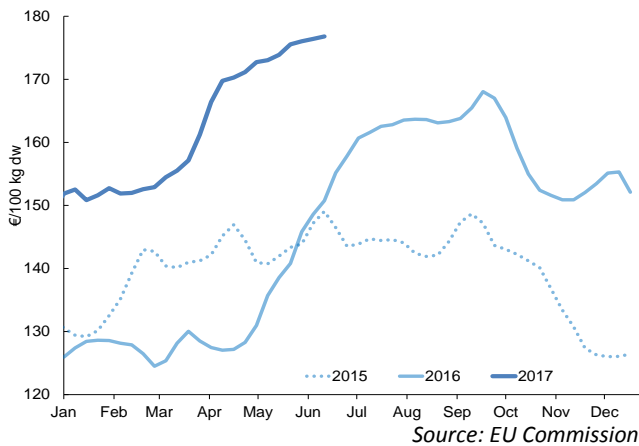
Connor McVeigh from McDonalds followed and described what consumers were now wanting from its restaurants. There was a push for animal welfare improvements, responsibility for the environment and food that was 100% British. When describing the consumers buying decision, price was at the top of the agenda, followed by animal welfare and then traceability. One very interesting point was that when consumers taste scored McDonald’s products, those featuring bacon always scored the highest!

Finally, Cranswick’s Adam Couch wrapped up the day by giving his overview of the future of the British pork industry. He pushed the fact that the UK was recognised for the safety and quality of its meat, and now it was time to extol the health benefits of pork. There is a need to keep the offer relevant and today’s consumer want to be sold the meal not the meat. There was a welcome conclusion to his presentation when he reaffirmed the UK pork industry, in his view, had a positive future.

EU Market Snapshot

The EU average pig reference price rose €2.92/100kg in the four weeks ended 18 June. This took the measure to its highest level since 2013, at €176.80/100kg, still a substantial €26 premium compared with the same time last year.

EU Average Pig Reference Price

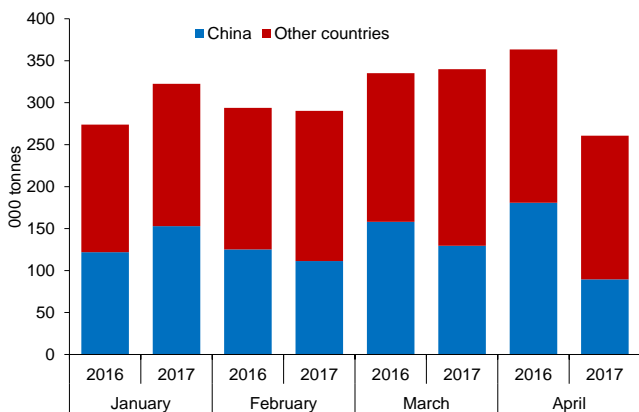


Prices across the continent broadly rose in the four weeks to 18 June. In the Netherlands prices rose by €3.26/100kg to €164.84/100kg. Germany saw price increases of €2.98/100kg in the four weeks to 18 June, reaching €185.60/100kg. Price gains in Southern Europe were stronger with the Spanish price rising by €4.22/100kg and the price in Portugal increasing by €8/100kg, settling at €170.28/100kg and €193/100kg respectively.

In the UK, prices fell slightly in euro terms losing, €1.32 in the four weeks leading to 18 June, when it was €183.57/100kg. However, they marginally rose in terms of GB pounds as Sterling has weakened over the month.

Exports of pig meat from the EU fell in the first four months of 2017 mainly due to a reduction in trade with China as competition from North America and Brazil intensified on this market. Lower pig meat production and increased pig prices have also contributed to this decline.

EU total pig meat exports in January-April



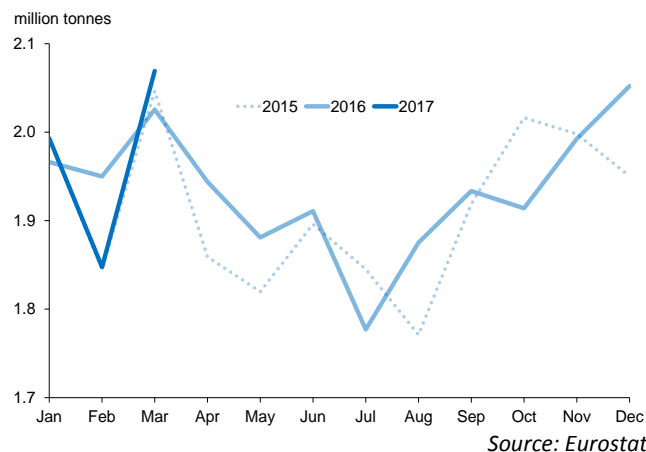
Total exports, including offal, to all third countries fell 4% year-on-year during the first four months of 2017, based on the latest figures from Eurostat. Trade with

China, which accounted for nearly 40% of the total, fell by 18% in the first third of the year. This was particularly influenced by a sharp decline in shipments during April, when volumes dropped to half of the year earlier level. In contrast, shipments to other markets in April were only down 6%.

Offal exports from the EU to third countries also declined in the first four months of 2017, down by 7% on a year earlier. Trade with China fell by 14%, while shipments to both the Philippines and Hong Kong fell on the same period last year, by 10% and 7%, respectively. Volumes exported to Japan doubled, while those to South Korea were up by 68%.

Provisional figures from the EU Commission indicate that EU pig meat production increased in March by 2% year-on-year, to 2.07 million tonnes. However, March 2016 included Easter, so when production is compared on a like for like basis, there was actually a decline of 7% - although this figure should be treated with caution as some abattoirs increased daily killings to compensate. EU pig supplies were reported to be tight in March. Slaughterings were only marginally higher, at 22.4 million head. Carcase weights in March this year were up by as much as 1.8 kg, suggesting that pigs have been putting on more weight to offset the tight pig supply.

EU pig meat production



It will be interesting to see whether the pig supply tightens further in April. Certainly there were shortages of weaners reported at the end of last year and early this year, and the December EU pig census indicated that piglet numbers were down over 1% on December 2015. In the first quarter of this year EU pig slaughterings were lower by almost 1.5% compared to 2016.

In Germany, no doubt partly reflecting the fact that Easter was in April this year, production in March was up by 4%. National statistics then indicate a 10% year-on-year decline for April 2017. Production was up by 5% in Spain in March. Output was down 5% in the UK and Denmark compared with a year earlier and 3% in the Netherlands; in these countries shortages of pigs were being reported.

Global Market Analysis

EU pig meat demand still struggling

Consumer demand for pig meat in key EU markets continues to struggle in 2017 and it is more export demand that is supporting the EU market. Fresh pork has been under the greatest pressure as processed products have held up better. What is happening to domestic demand in supporting the EU pig meat market in the coming months could be crucial as EU export markets are becoming more competitive especially China. Another issue for the sector is that increased finished pig prices are causing some retail pig meat price inflation. This is occurring at a time when consumers are having to tighten their belts as inflation is getting closer to real earnings growth in the EU.

It is the key German pig meat market that is the most worrying and consumer panel data for the first four months of 2017 indicates that household purchases have declined yet again, by as much as 7% on a year earlier, for fresh pork. This is even greater than the 4% decline of 2016. The pork price rise, of 4%, was considerably higher than for other meats so eroding its competitive position. At least though the German “wurst” (sausage) market held up somewhat better although the rise on a year earlier was still less than 1% in January-April.

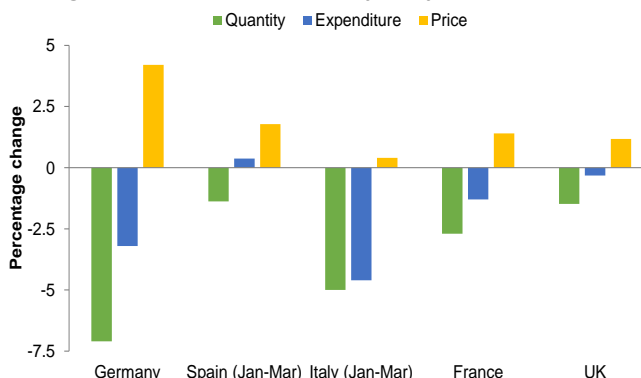
In France, household purchases of fresh pork also remain in decline and have been down nearly 3% this year, to 16 April, while prices have been up by over 1%. This has been on top of a similar decline in volume purchases in 2016. At least though charcuterie has held up better down only 1% so far in 2017 in spite of a fall of over 2% for hams. Charcuterie spending though was up nearly 2% contrasting with a reduction of over 1% for fresh pork.

The market has remained under pressure in Italy with fresh pork household purchases down over 5% in the first quarter of 2017 with spending only down by slightly less than this. This continues the similar disappointing performance of both 2015 and 2016. Expenditure on processed products was also down. For hams, uncooked fell by 4% and cooked by 1% while salami was down 3%.

In Spain pork is performing better than in other main consuming countries. This has been helped by the strong recovery in the economy. Household purchases in the first quarter of 2017 were only down a little over 1% which represents a considerably improved performance compared to 2016. Pork retail price inflation in the first quarter of 2017 was almost 2% so spending on pork was also up whereas in 2016 it was down by almost 9%. Total household purchases of

processed products, mainly pig meat based, were up by nearly 3% in volume and by 4% in spend. This compares favourably with the with the volume fall of over 1% in 2016 as a whole.

Change in EU household fresh pork purchases in



Source: AHDB Market Intelligence based on national data

UK household purchases of fresh pork in 2017 to 23 April fell by 1.5% but as some retail price inflation is now creeping in spending was down only marginally. This represents an improvement of the situation in the calendar year 2016. Kantar Worldpanel data indicated that volume purchases were down by almost 3% and with considerable retail price deflation spending was down by as much as 9%. Bacon household purchases have been up by over 1% so far in 2017 but some further retail price deflation meant that spend has been down almost 1%.

The summer short term outlook for agricultural products published by the European Commission is now due and should give an indication of how the EU pig meat supplies situation will likely pan out. The winter outlook suggested that there would be a downturn in EU exports in 2017 and a 1% increase in consumption but so far this has not been borne out. Even if there is upward revision to the exports, 90% of EU output is still consigned to the internal market.

As pig supply in the EU starts to build up again in response to expanding sow numbers a good level of internal demand becomes more critical if pig production is to remain profitable and the pig meat market not to fall back. Some reaction to the current high prices may be an inevitable consequence if there is a change in the supply/demand balance on the horizon. The increasing pig prices with consequent increased retail pig meat prices will inevitably meet consumer resistance at some stage although processors margins have also had to fall. Such price developments would inevitably have consequences not only for the EU as a whole but also the United Kingdom.

Global Market Analysis

Mexico becoming a global pig meat player

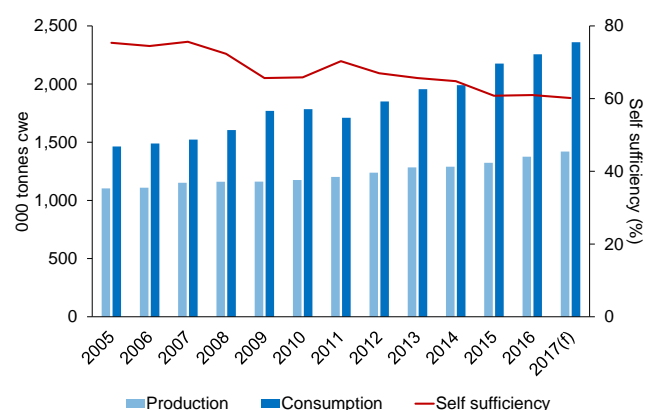
Mexico is becoming an increasingly important player on the global pig meat market. Production is rising in response to increasing consumer demand while pig meat imports continue to grow. At the same time, it has established itself as a small but growing exporter. Imports are supplied by other NAFTA members but this agreement is now under threat.

Between 2005 and 2016 the growth in pig meat consumption has averaged 4% per annum. Yet, the domestic industry has been unable to meet this growing demand with production growth only averaging 2% per annum based on data from USDA. As a result, increasing imports are having to offset the production deficit.

Pig production is increasing, helped by improved genetics and also improved disease control although this remains a major challenge. On the other hand, Mexico achieved international recognition in 2015 as being free from Classical Swine Fever (CSF). Structural changes are also boosting production with more large-scale units and integration that stretches from the supply of AI to retailing. Feed is relatively cheap and so are labour costs.

Mexico is a large consumer market with a population of 120 million. Per capita consumption averages 19 kg cwe and pig meat is consumed on a daily basis in a variety of dishes both as fresh or as processed, especially hams. Pork remains a lower cost alternative to beef while being price competitive with poultry meat. Pork continues to gain consumer confidence as a healthy source of protein.

Mexican pig meat production and consumption

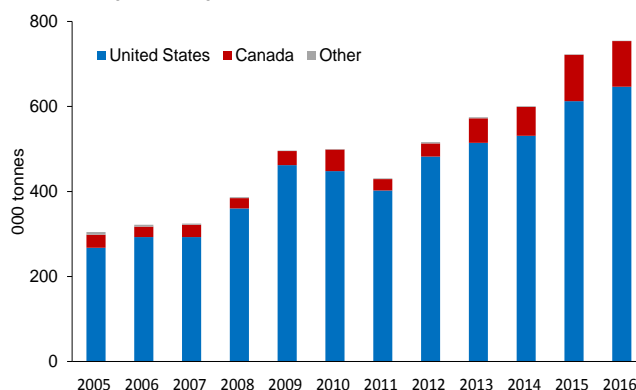


Source: USDA

Mexico is the fourth largest global importer of chilled and frozen pork after China, Japan and Italy. Its trade amounted to 755,000 tonnes in 2016, valued at US\$1.3 billion. Since 2005 import volumes have grown by 9% per annum and there was a further growth of 19% in the first quarter of 2017. Trade is dominated by the United States that accounted for

85% of the total in the last two years although its share has been over 90%. The only other significant supplier is Canada. Both countries have duty free access through NAFTA, unlike other suppliers. The EU has not even really established a toe hold on the market although Denmark did supply 440 tonnes in 2015. For non-NAFTA suppliers, the import tariff is 20%. Mexican imports are dominated by chilled bone-in hams and shoulders that account for 75% of the total. Frozen boneless cuts account for a further 15% and are used in further processing. Imports include mechanically deboned meat (MDM).

Mexican pork imports



Source: IHS Maritime & Trade - Global Trade Atlas®

Mexico also has a large import requirement for pig offals, which in 2016 amounted to 179,000 tonnes but again trade is dominated by NAFTA countries.

Pork exports are also growing, but with the volume of chilled and frozen pork only amounting to 105,000 tonnes in 2016 Mexico's importance in world trade is low. However, with its new CSF status this opens the door to increased export opportunities. So far, its main trade is with Japan which accounts for 75-80% of total volumes followed by South Korea, nearer 10%. However, in 2016 Mexico was authorized to export pork to China although shipments so far have been negligible. All these markets are important for other global exporters.

Could there be any changes in the countries supplying pig meat to Mexico in future? Without NAFTA, or following its renegotiation, trade from the United States would be threatened. This in turn could open the door to the EU; for more analysis on this click [here](#). Because of this threat Mexico is seeking alternative suppliers, such as Brazil. It would also suggest that once an EU-Mexico FTA is agreed this could open the door for EU exporters. At present the UK has no access to the Mexican market but this could change. If other EU exporters, with the obvious one being Spain, are able to develop trade with Mexico this would further improve prospects for the EU pig meat market.

Feed Market

Grains

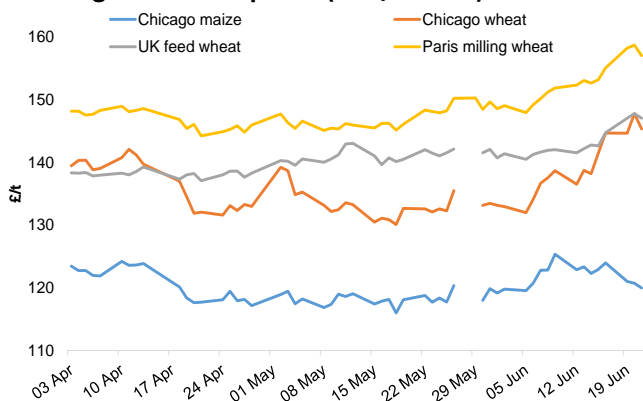
Over the past month global and domestic grain markets have been largely driven by weather. With hot and dry weather prominent across key grain growing regions at the moment, markets are considering how conditions between now and harvest could impact on new crop prospects.

In response to adverse conditions in parts of the US, EU and Black sea region, amongst other factors, wheat futures have risen over the past month. New crop UK feed wheat futures (Nov-17) climbed £5.50/t between 25 May and 21 June to close at £147.00/t. Similarly, new crop Paris milling wheat futures (Dec-17) gained €7.50/t over the same time frame, to close at €178.75/t on 21 June.

The US wheat futures markets have arguably seen the most activity over the past month, with new crop (Dec-17) Chicago wheat futures gaining 8% (\$13.04/t) between the 25 May and 21 June, to close at \$184.43/t.

On the other hand, Dec-17 Chicago maize futures recorded a slight decrease (\$0.30/t) over the same time frame, closing at \$152.26/t on 21 June. In response to weather concerns the contract had risen to \$159.84/t on 6 June, a high for this period, before falling back due to improved conditions across parts of the US maize belt.

Global grain futures prices (Nov/Dec-17)

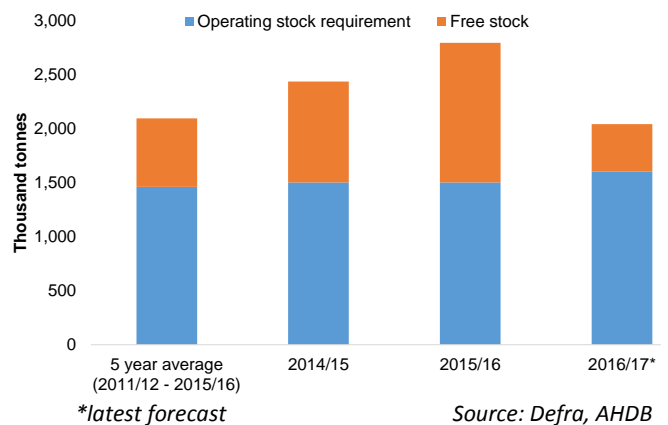


Source: AHDB

Defra's latest [UK supply and demand estimates](#), released on 21 June, suggest that the UK will be a net importer of wheat in 2016/17 and enter the new marketing season with a relatively low level of stocks.

Imports of wheat this season have been forecast at 1.7Mt, 13% higher than in 2015/16, while exports have been pegged at 1.5Mt, 47% lower than last season. While export demand is expected to fall, total domestic consumption of wheat in 2016/17 is forecast to rise by 6% on the year. Usage of wheat and barley in 2016/17, for animal feed, has been pegged at 7.2Mt (up 2% on 2015/16) and 3.6Mt (up 1% on 2015/16) respectively.

UK wheat commercial end-season stocks



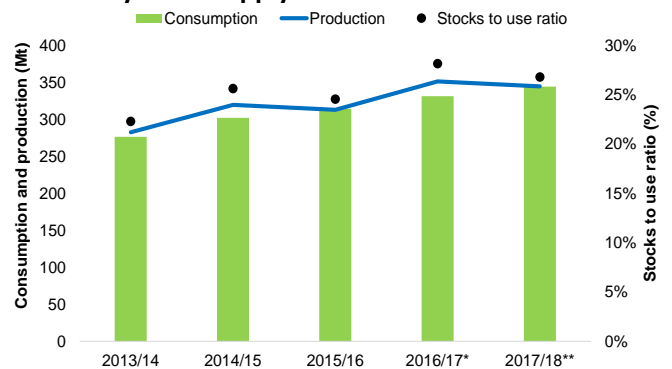
Source: Defra, AHDB

Proteins

Similar to grains, global weather developments have been a key watch point for protein markets. Chicago soyabean futures (Nov-17) closed at \$340.86/t on 21 June, \$4.22/t lower month on month (25 May – 21 June). Furthermore, the contract fell by over \$8/t from 16 June, a high for this period, due to favourable weather in parts of the US.

The latest USDA World Agricultural Supply and Demand Estimates pegged global soyabean closing stocks for 2016/17 3Mt higher than in May, at a record 93.2Mt, which weighed on markets earlier in the month. Furthermore, with limited changes to other supply and demand figures month on month for 2017/18, apart from a 0.5Mt reduction in forecast exports, closing stocks for 2017/18 are forecast at 92.2Mt (88.8Mt in May).

Global soyabean supply and demand



*latest estimate; **latest projection

Source: USDA

Unlike soyabeans, Paris rapeseed futures (Nov-17) closed up marginally (€0.75/t) on the month (25 May – 21 June), at €362.25/t on 21 June. Nonetheless, similar to soyabeans, the contract has fallen by €8.00/t since 19 June, partly on the back of improved EU weather prospects.

New crop UK delivered rapeseed prices (November delivery, Erith) have fallen by £2.00/t since the 26 May to £315.50/t on the 23 June.

In Brief

GB sow productivity moving up

Latest figures from Agrosoft indicate the productivity of GB sow herds increased in the 12 months ending March 2017, having been relatively stable during the latter half of 2016. Outdoor sows posted the greatest improvements. An increase in the number of piglets born alive per litter, coupled to declining pre-weaning mortality, meant the average number of pigs weaned per sow per year reached 23.2. However, the top 10% of outdoor producers have not seen the same upward trend. At 26.52 pigs weaned per sow per year, this figure was actually marginally lower than for the 12 months ending March 2016. For indoor sows improvements were more modest, with an increase in the number of pigs born alive per litter being partly countered by rising pre-weaning mortality. The average number of pigs weaned per sow per year reached 26.5, with the top 10% achieving 30.8.

Despite these developments, the improvements to sow productivity still don't bring GB producers in line with EU competitors. For 2015, the EU average for pigs weaned per sow per year was 26.81. The average for Denmark during this period, the primary supplier of imported pig meat to the UK, was 31. Britain continues to be limited by the number of pigs born alive per litter, which remains below the EU 2015 average of 13.5.

FAO 2017 Food outlook now published

The latest FAO food outlook has now been published. The report highlights the trends anticipated for all food commodity markets over 2017. Total meat production is anticipated to stagnate for a second year during 2017, rising by just 0.3% to 322 million tonnes, with a downturn in Chinese production, offsetting rises in output in the US, Brazil, India and Argentina. For pigmeat production, FAO anticipates the downturn in China will drive a continuing global decline. Chinese production, which accounts for almost half of the world total, is forecast to fall by almost 4% to 49.8 million tonnes. However, production growth is forecast for other Asian countries, the Americas and Russia. As such, overall, world pigmeat production is forecast to fall 0.8% to 114.7 million tonnes this year.

Could NAFTA negotiations shake-up the global pork industry?

Last month, the Trump administration notified Congress that the US plans to renegotiate the North American Free Trade Agreement (NAFTA). This is the trade deal that also includes Mexico and Canada. Significant volumes of pork are traded between these three countries. The US is also the second largest global pork exporter. As such, renegotiation has the potential to considerably impact the pig industry worldwide.

The potential loss of tariff-free access for US pork to the Mexican market is a particularly important issue. Such an outcome seems likely if the US is not satisfied with the negotiations and decides to withdraw from NAFTA. Canada could maintain tariff-free access for pork shipments into Mexico and therefore be at a competitive advantage. On top of this, the EU is currently renegotiating the Mexico-EU trade deal with a commitment to conclude it by the end of this year. Tariff-free access could be granted to EU pork as a result of this, further damaging the export prospects of US pork. This would, however, represent a significant opportunity for the EU pig meat sector. In 2016 Mexico imported 1 million tonnes of pig meat of which 99% was supplied by the United States and Canada.

A recent report published by the National Pork Producers Council (NPPC) in the US suggests that, if a 20% tariff were applied to US pork imports into Mexico under the above circumstances, the US would eventually lose the entire Mexican market. Although alternative destinations are thought capable of absorbing some of the excess, a net loss in export volume equivalent to 5% of production is still anticipated. It is thought this would lead the US pig market to drop in value by 10%.

The changing dynamics of the global pork industry would also be felt by the UK. While there could be opportunities to capitalise on the Mexican market, the anticipated tariff-free status would only remain while the UK is part of the EU. Meanwhile, there could be more competition from US pork on the Asian markets to compensate for the loss of the Mexican market. A third of UK pig meat exports were shipped to China, Hong Kong and South Korea in 2016, and these markets could become even more important post-Brexit. As such, the NAFTA negotiations will be an important watch point for pig producers in the UK this year.

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

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