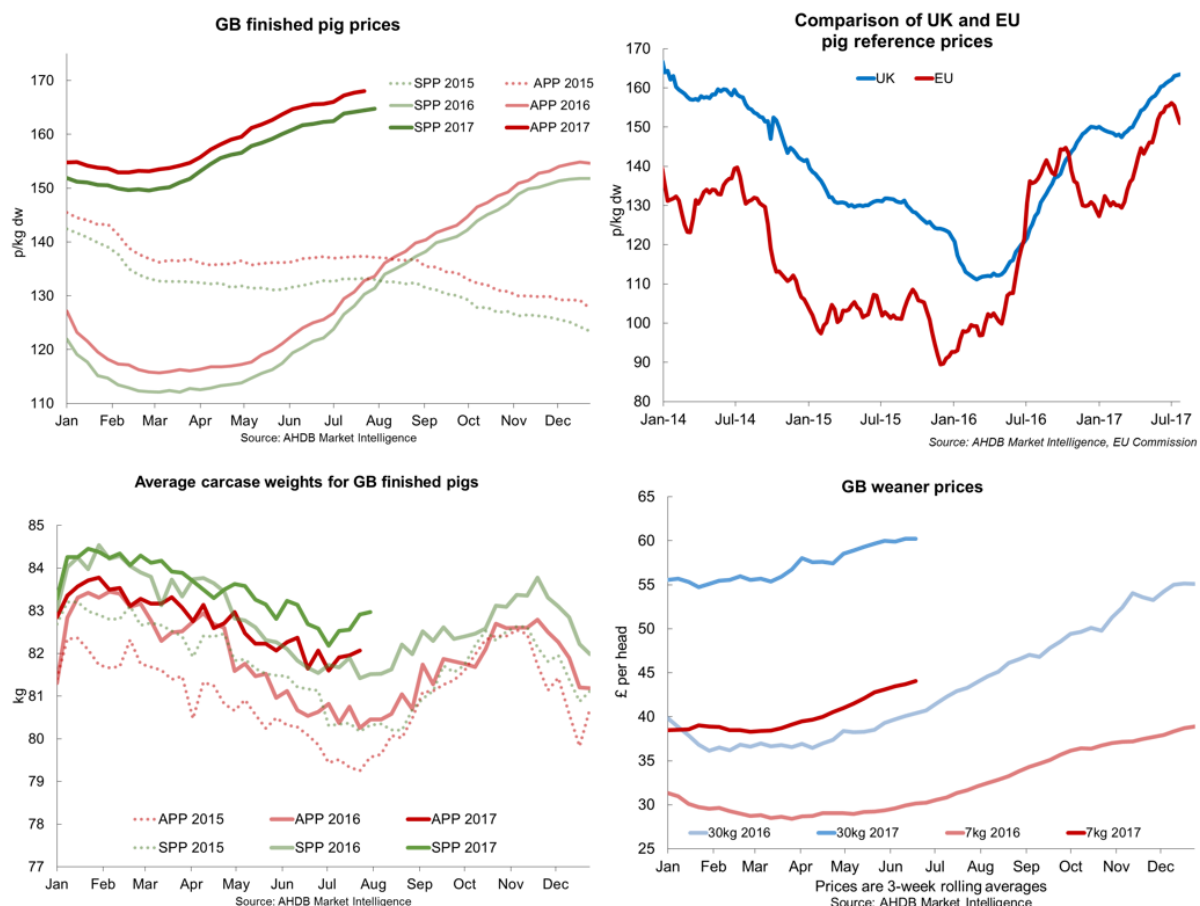


August 2017

UK PRICES

In June, GB pig prices continued to gain ground. The monthly-average EU-spec APP gained 2.37p compared to May, reaching 165.60p/kg. This figure was over 41p higher than in June 2016. Price increases have continued into July and have now been rising for 21 consecutive weeks. For week ended 22 July, the APP stood at 168.05p/kg, still at three-year highs.



The EU-spec SPP followed a similar trend to the APP in June, with the price increasing by nearly 2.5p during the month to average at 162.08p/kg. The gap between the APP and the SPP barely changed from the previous month. The APP price premium in May was 3.59p, and had narrowed marginally to 3.52p in June.

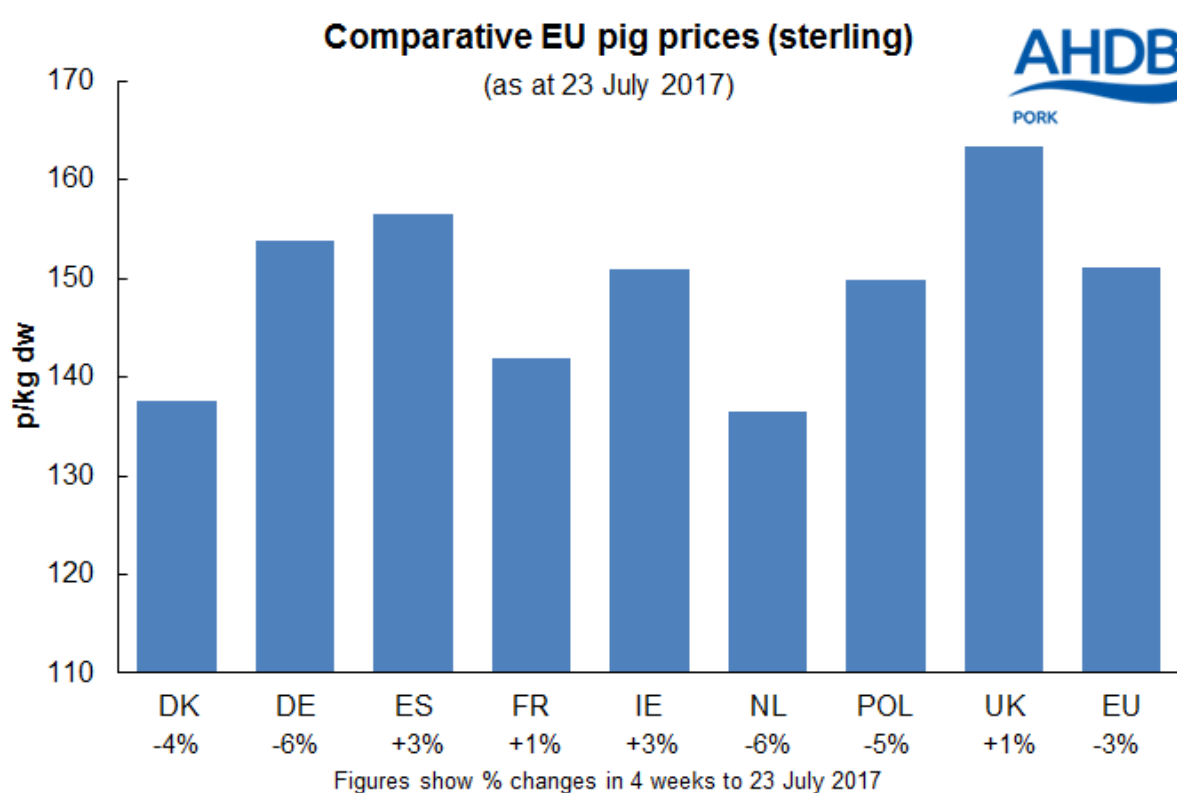
In June, average carcass weights fell just over 1/4kg compared to the previous month, with the APP sample averaging 81.92kg. There was a downwards trend throughout the month, although there was some uplift in the first two weeks of June. Compared to June last year, carcass weights continue to come in higher, 1.18kg higher in the case of the APP.

The GB weaner market also showed a trend of rising prices during June. 7kg weaners gained £1.14 on the month, to average £44.04 during June, a pattern that has continued into July. 30kg weaners saw a more modest price increase of 16p during the month, to average £60.06. Prices here too continued to rally into July reaching £61.34 per head by mid-month, although they have since slipped slightly.

EU PRICES

In the four weeks ending 23 July the EU pig reference price fell by €6.72 to €170.25/100kg the lowest price recorded for this series since mid-April. The reference price started to decline in week ending 9 July, following 20 consecutive weeks of gains. Nonetheless, in the week ending 23 July, the quote remained above year earlier levels by €7.71/100kg. It isn't uncommon for EU pig prices to level off during the summer holiday period, before dipping in September. However, this earlier decline in pig prices could indicate a shift in the EU supply and demand balance.

It is well known by now that EU pig meat supplies have been relatively tight this year, with somewhat strong export demand for EU pig meat at the start of 2017. However, production is reportedly on the rise and forecasts suggest that output this year will be higher than 2016. Likewise, export demand for EU pig meat has steadied and is now falling on year earlier levels, driven by considerable reductions in Chinese demand, outweighing growing trade to other Asian markets. A combination of these factors is likely to have put pressure on EU pig prices.



Source: EU Commission

On an individual country basis, Germany, Denmark and the Netherlands all recorded price drops on the four weeks ending the 23 July. However, the Spanish reference price continued to rise over the same time frame, by €3.55/100kg, driven by increased demand from the seasonal descent of tourists.

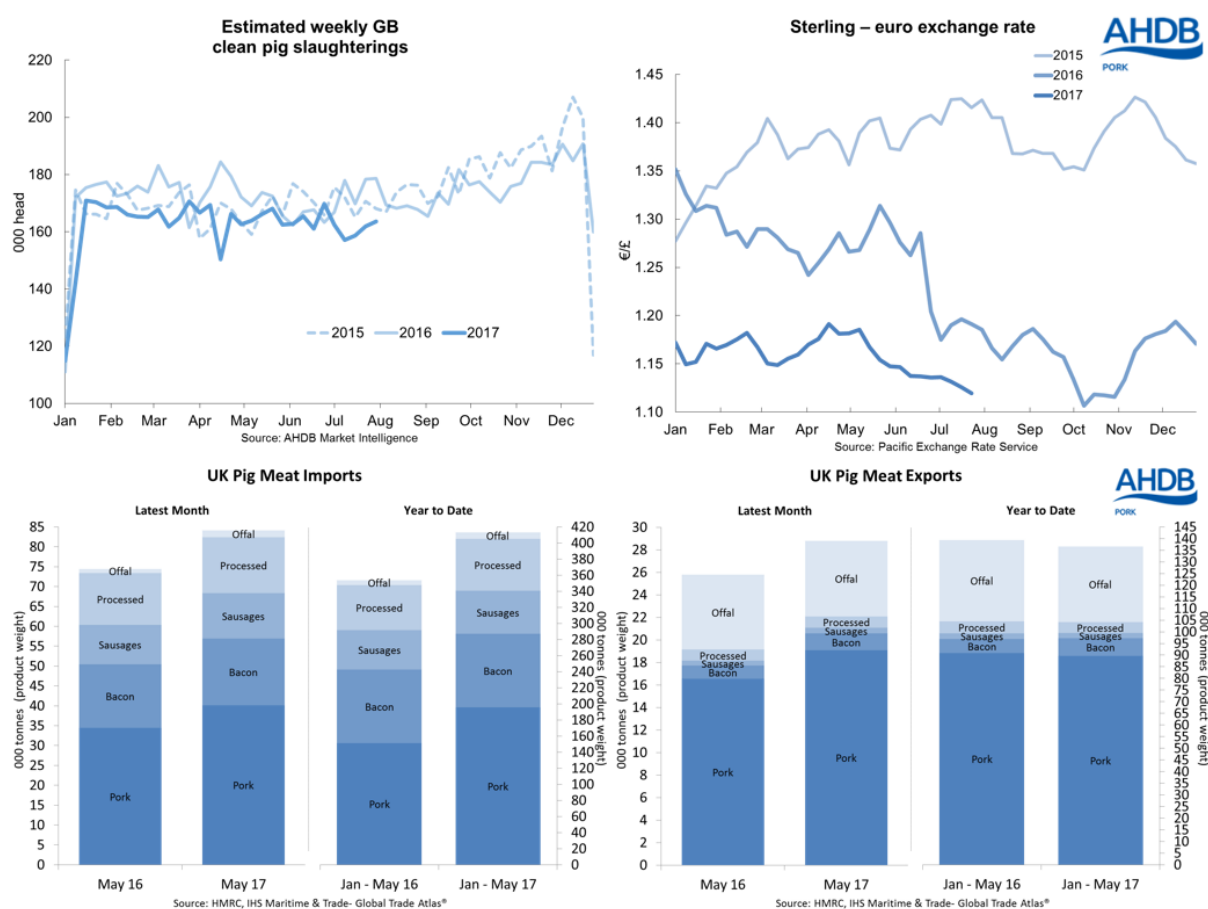
In euro terms, the UK reference price remained relatively unchanged in the four weeks ending the 23 July at €184.24/100kg. However, compared to the same period in 2016, the current quote is over €32 higher. With the gap between the UK and EU reference price at the highest level in nearly four months, UK imports of pig meat from the continent may have become more attractive. On the other hand, despite the weakness of sterling, exports of UK product to other EU destinations have become less competitive. Nonetheless, unlike other member states, shipments of UK pig meat products have

remained relatively strong to China and other Asian markets. While demand for UK pig meat remains firm at the moment, prices could become under pressure going forward, driven by trends in the wider EU market.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

At 845 thousand head, UK clean pig slaughterings in June were 2% lower than in the same month in 2016, according to latest data from Defra. Furthermore, this takes slaughterings for the first half 2017 up to 5.1 million head, 6% lower than in the equivalent period last year. The estimated GB slaughterings data from AHDB indicates that the reduction continued into July.

The decline during June reflects the industry sentiment that UK pig meat supplies have been tight since the start of the year. Nonetheless, it is thought that the UK pig herd will recover during the second half of 2017, following an assumed contraction in the domestic breeding herd last year.



Sow slaughterings continued to decline in June to 21.6 thousand head, 7% lower than the same point last year, supporting reports that producers are no longer rationalising their herds.

Average clean pig slaughter weights in June declined for the fourth consecutive month, to 81.9kg, reiterating the sentiment that domestic pig meat supplies have been tight. The current weight is relatively stable on the same point last year.

A combination of a decline in slaughterings and a fall in average carcass weights has led to UK pig meat production falling by 2% on the year in June to 72.3 thousand tonnes.

In May, UK exports of fresh/frozen pork increased by 15% on the year to 19.1 thousand tonnes, according to latest data from HMRC. This is the first month since the start of the year that volumes

have recorded an annual rise. Furthermore, increased average prices led to the value of May's shipments rising by nearly 40% on the year to £26.6 million.

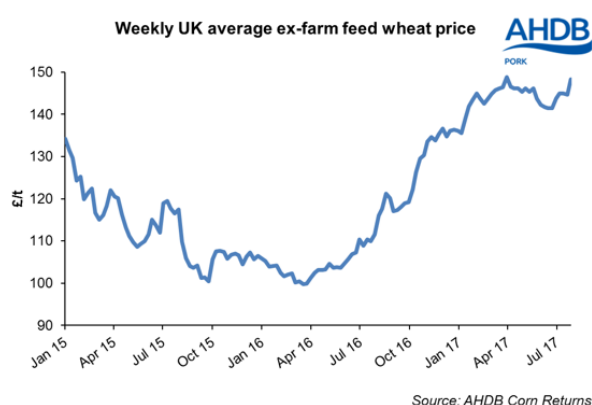
A rise in volumes shipped to European markets, especially Denmark (+38%) to 2,650 tonnes and Germany (+18%) to 2,780 tonnes, was the main driving force behind the overall increase. On the other hand, exports to Poland collapsed to only 20 tonnes on the year in May, likely partly driven by the fall in import demand as production has been increasing. Interestingly exports to some third countries also contributed to the annual rise in May. While shipments to China remained relatively stable on the year, Hong Kong imported 44% (330 tonnes) more British pork and UK exports to South Korea more than trebled to over 270 tonnes.

UK imports of fresh/frozen pork climbed once again on the year in May, by 17% to 40.1 thousand tonnes. Similar to April, but in contrary to months previous, the increase was not primarily driven by Danish shipments. Imports from Denmark in May, actually fell on the year by 6% to 12.6 thousand tonnes. The main driving force behind the overall rise in May was a 45% rise in volume shipped from Germany. Likewise, the UK imported more pork on the year from the Netherlands and Ireland. The 4% increase in bacon imports in May hides the one third reduction for Denmark, being more than offset by an increase of 46% for the Netherlands compared to a year earlier.

FEED MARKET

Over the past month, global grain markets have been dominated by weather developments. Hot and dry conditions across the US Plains are feared to have impacted the quality and quantity of the nation's spring wheat crop.

These developments in the US have had a bearing on the UK markets. From 21 June to 11 July, Nov-17 UK feed wheat futures increased by 5% to reach a contract high of £154/t. However, since then prices have steadily fallen, closing at £145/t on 25 July. While the weather woes in the US haven't really subsided, the release of the latest World Agricultural Supply and Demand Estimates from the USDA in the middle of the month brought a more bearish than expected sentiment to the market.



Similar to grains, global oilseed markets have been boosted over the last month by weather worries in the US. As at 23 July, 29% of the US soyabean crop was setting pods. This is a key yield development stage and any temperature/moisture stress at this point could limit pod numbers, beans per pod or bean size. Therefore, the adversely dry and hot conditions that have hit parts of

the US soya belt is causing some concern over the quality/quantity of the crop. Between 21 June and 25 July, Nov-17 Chicago soyabean futures increased by 7%, to settle at almost \$365/t. Paris rapeseed futures (Nov-17) increased by 1% to €365/t between 21 June and 25 July. However, the contract reached €381/t on 10 July on the back of rallying soyabean prices, before prices declined again.

CONSUMPTION

During the 12 weeks ended 18 June, the primary pork volume sales decreased by 3% on a year-on-year basis, according to the latest data from Kantar Worldpanel. However, a 5% increase in the average retail price meant that overall spend was up by 2%. Roasting joints have continued to record a decline in sales over the 12 week period, which as commented on in previous months could perhaps be linked to the reduced promotional activity seen this year. Shoulder roasting joints saw a dramatic drop in volume sales with a reduction of 22%. Although in contrast to this, average price was up by 8%.

Bacon which had been struggling has seen some small increases in both volumes and average price resulting in the total spend increasing by 3%. This is supported by other Kantar Worldpanel information, indicating that bacon was purchased on 1.5 million more shopping trips compared with last year. Other processed products also performed well including sausages with volume sales up 2% and sliced cooked meats, up 3%. Total spend on primary beef has remained steady looking at the 12 week period compared with last year. Although volume fell by 2% a price increase of 2% balanced the total spend. Primary poultry saw a total spend increase of 2% year on year with volumes up 4%.

Trends in retail meat purchases (period ended 18 June 2017)

	4 weeks 2017/2016			12 weeks 2017/2016			52 weeks 2017/2016		
	Q	E	P	Q	E	P	Q	E	P
	% change compared with a year earlier								
Fresh and Frozen Meat, Poultry and Bacon	-2	-1	+2	+1	+2	+1	+1	-2	-3
Pork	-10	+1	+12	-3	+2	+5	-4	-5	-1
<i>Belly</i>	+1	+18	+16	+2	+3	+2	+4	-2	-5
<i>Chops/Steaks</i>	-15	-11	+6	-5	-4	+1	-2	-7	-4
<i>Leg Roasting Joint</i>	-32	-21	+16	-4	+7	+12	-4	+2	+7
<i>Loin Roasting joint</i>	+3	+22	+19	+1	+13	+13	-5	-3	+3
<i>Shoulder Roasting joint</i>	-24	-14	+14	-22	-16	+8	-18	-18	-0
<i>Marinades</i>	+17	+28	+9	+2	+9	+7	-14	-13	+1
<i>Ribs</i>	+14	+18	+3	+9	+11	+2	-8	-6	+3
<i>Mince</i>	+27	+15	-9	+29	+18	-8	+15	+9	-6
Bacon	-1	+0	+2	+1	+3	+2	+2	-2	-4
Beef	-7	-4	+3	-2	+0	+2	+2	+0	-2
Lamb	-11	-7	+4	+19	+16	-2	-11	-7	+4
Poultry	+4	+3	-0	+4	+2	-2	+4	-0	-4
Processed products									
Pork Sausages	+2	+6	+4	+2	+4	+2	+2	-0	-2
Fresh Pre-packed Pork Pies	+10	+14	+4	+2	+8	+6	-3	+2	+6
Fresh Pre-packed Sausage Rolls	-1	+2	+4	-4	+2	+7	-0	+5	+6
Pork Sliced Cooked Meats	+4	+3	-1	+3	+1	-2	+1	+0	-1
Pork Chilled Ready Meals	-4	+2	+6	-1	+6	+7	+2	+8	+6

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

This pig meat sector UK market update was prepared by:

Bethan Wilkins, Millie Askew and Duncan Wyatt, AHDB Market Intelligence

Phone: +44 (0)24 7647 8757/8968/8856

e-mail: Bethan.Wilkins@ahdb.org.uk, Millie.Askew@ahdb.org.uk, Duncan.Wyatt@ahdb.org.uk

Twitter: @AHDB_Pork #PorkMarketNews

While the Agriculture and Horticulture Development Board seeks to ensure that the information contained within this document is accurate at the time of printing, no warranty is given in respect thereof and, to the maximum extent permitted by law, the Agriculture and Horticulture Development Board accepts no liability for loss, damage or injury howsoever caused (including that caused by negligence) or suffered directly or indirectly in relation to information and opinions contained in or omitted from this document. AHDB Pork is part of the Agriculture and Horticulture Development Board. © Agriculture and Horticulture Development Board 2017. All rights reserved.