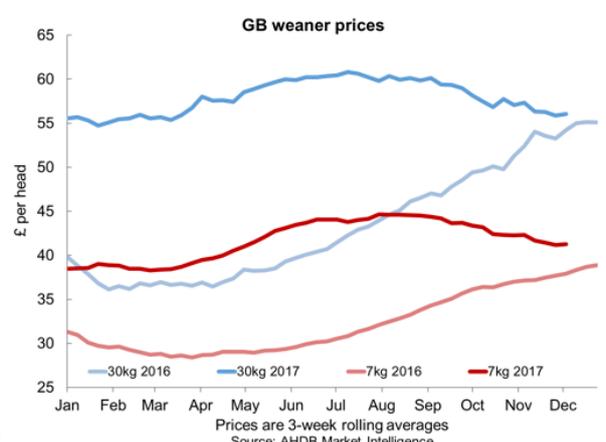
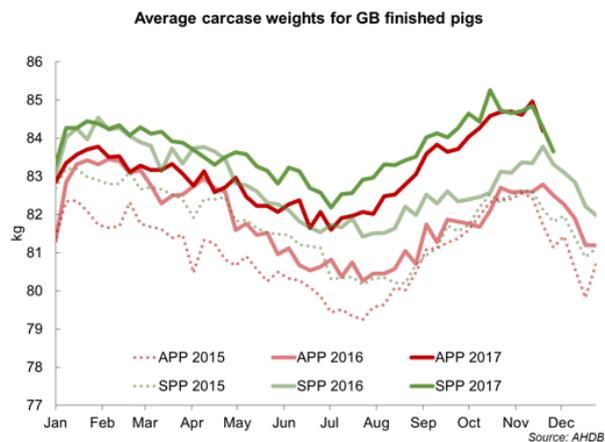
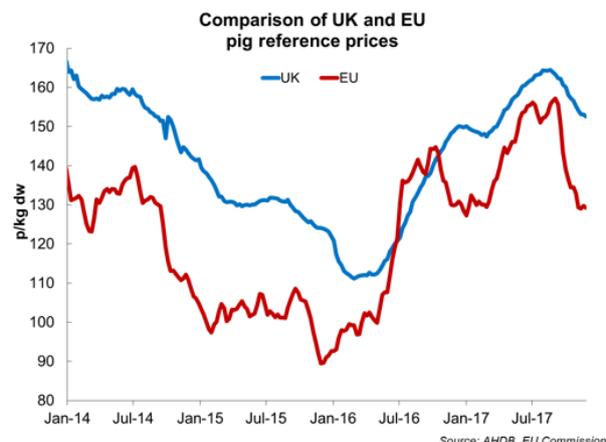
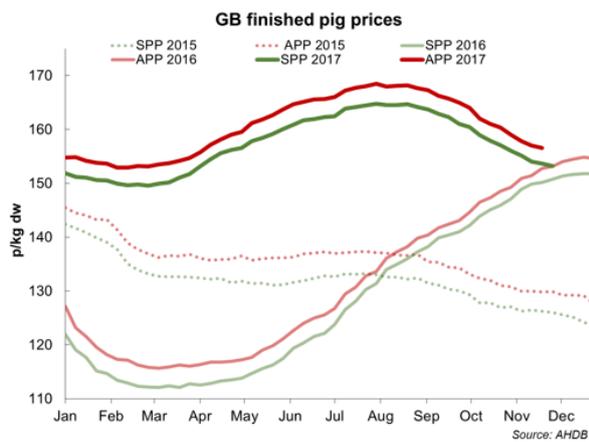


December 2017

UK PRICES

The EU-spec APP recorded another decline in October, dropping 2.29p on the month to average 160.00p/kg. Prices have continued their decent into the following month, falling to 156.56p/kg in the week ended 18 November. This price remains nearly 4p higher than year earlier levels, but the premium is diminishing. Increasing numbers of pigs coming forward have led to supplies continuing to outstrip the current levels of demand. EU prices have also been falling in recent weeks, adding to pressure on the domestic market.

The EU-spec SPP also recorded a fall in October, with the average price declining 4.7p on the month to 156.95p/kg. The gap between the APP and SPP narrowed slightly, to 3.05p for the month. Again, prices in November have continued to follow a downward trend, with the SPP falling to 153.24p/kg in week ending 25 November.



Following a number of plant breakdowns, average carcass weights increased relatively sharply during September, partly due to pigs being rolled by processors, with this trend continuing into October. In October, the APP sample was 780g heavier than the previous month, averaging 84.58kg, nearly 2.5kg more than in the same month last year. Weights have generally started to fall again in November, averaging 84.19kg for week ending 18 November. After reaching 11.8mm in late October, probe measurements have also fallen to 11.5mm in week ending 18 November.

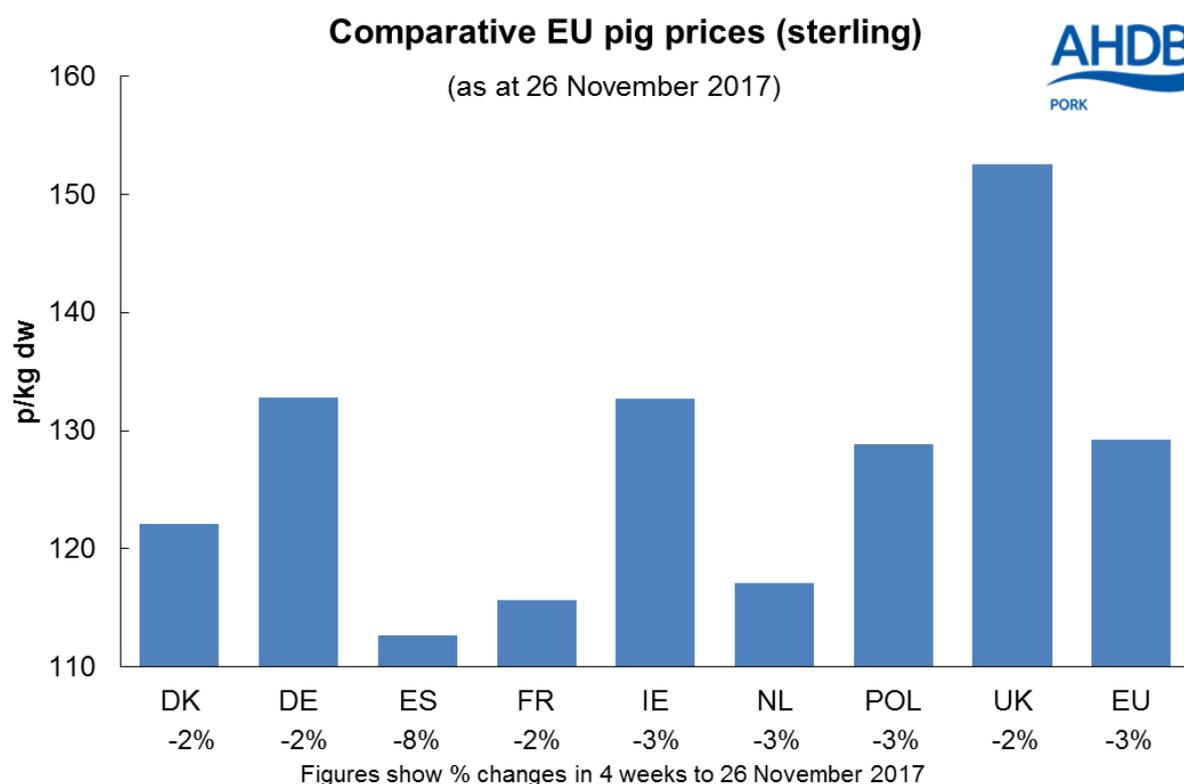
The GB weaner market has again come under downwards pressure in recent weeks. The October monthly average price for 7kg weaners recorded a decline of £1.23 on September to average

£42.54/head. At the same time, the 30kg weaner price dropped by £2.13 to average £56.94/head in October.

EU PRICES

EU pig prices continued to decline in the four weeks ending 26 November, albeit at a slower pace. The EU average reference price fell almost €4/100kg over this period to stand at €145.27/100kg in week ending 26 November. However, prices in the most recent week recorded only a modest decline of €0.13/100kg.

Increasing supplies have been contributing to the downwards price pressure in Europe over recent weeks, with both export and domestic retail demand remaining lacklustre. However, market reports suggest demand across the EU may now be experiencing some seasonal uplift, which may help support markets.



Source: EU Commission

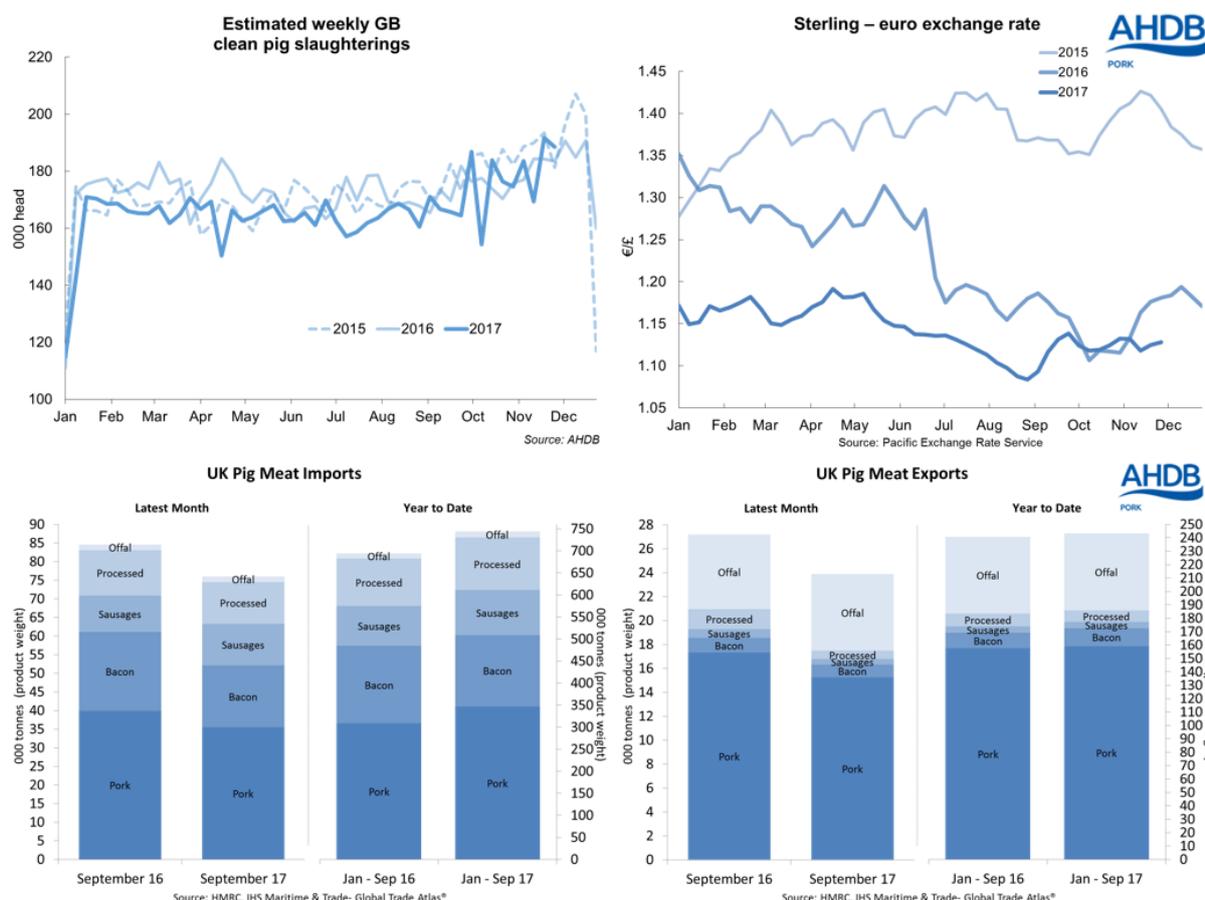
Notably, on the key German market, prices only reported a decline of €0.03/100kg in the most recent week (ended 26 November) at €149.27/100kg. Danish prices were also stable on the week, and negligible changes were reported for the Netherlands and a slight rise was recorded in Poland. In fact, of the key markets, only Spain continued to post a larger decline, dropping over €1/100kg on the week. The slowdown in exports to China is reportedly affecting the Spanish market at the moment, pushing available supplies ahead of demand.

For the UK, pig prices reported a similar trend to the rest of the EU and declined more modestly during the four weeks ending 26 November. At €171.45/100kg, the UK reference price fell €2.94/100kg during the period, and only by €0.09/100kg in the last week.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK clean pig slaughterings totalled 908,800 head in October, 4% higher on the year, according to latest data from Defra. However, October 2017 had an extra working day compared with October

2016, therefore on an equivalent basis, monthly slaughtering were marginally down on the year (-1%). Year to date (January to October) slaughtering remain behind year earlier levels by 3%, at 8.5 million head.



Slaughtering of clean pigs in Scotland have significantly reduced since August due to the temporary closure of a major plant. However, a 69% (19,000 head) decrease in Scottish clean pig slaughtering on the year in October was offset by a 12% (17,000 head) rise in Northern Irish slaughtering, plus a 5% (36,000 head) increase in England and Wales. The plant that was closed in Scotland reopened in mid-November, so Scottish slaughtering may rebalance in the near future. Pig meat production in the UK reported a 7% increase on the year in October to 79,800 tonnes. When accounting for the extra working day this year, production on a like-for-like basis was a more modest 2% higher year on year. Considering the fall in slaughtering on an equivalent basis, the rise in production in October is a direct reflection of continually increasing carcass weights. In October, carcass weights gained 600g on the month to average 85.1kg, the heaviest since records began in 1987.

Sow and boar slaughtering were 9% lower on the year in October, at 17,300 head. This is consistent with the trend observed so far in the year, with overall year to date slaughtering also down 10% at 192,900 head.

UK pork shipments to China continued to evade the slowdown in the Chinese market during September. At 2.97 thousand tonnes, fresh/frozen pork exports were up 7% (+210 tonnes) year-on-year during the month. Shipments to Denmark, likely for re-export, also recorded a 21% growth (+480 tonnes) in volume compared to the month in 2016, while exports to Germany increased by 6% (+160 tonnes).

Despite this growth, official HMRC figures show overall exports of fresh/frozen pork were still down 12% year-on-year during September, at 15.2 thousand tonnes. However, this was primarily due to an

unusually large decline in shipments recorded to Ireland, which should be viewed with caution as the same drop is not reflected in the Irish import figures for September. UK exports of processed pig meat were also impacted by a significant decline in trade with Ireland that does not reflect the Irish trade data. As a higher value market for UK exports, the apparent fall in exports to Ireland also meant the value of fresh/frozen pork exports during the month fell ahead of volume. At £18.6 million, the UK's pork export market was worth 18% less than in September 2016.

For pig offal exports, volumes increased 3% on the month last year to 6.4 thousand tonnes. Shipments to the largest market, China, actually declined 12% (-350 tonnes). However, this was more than compensated for by a 9% (+120 tonnes) increase to Hong Kong, and healthy growth from the smaller markets; Denmark, the Philippines and Ivory Coast.

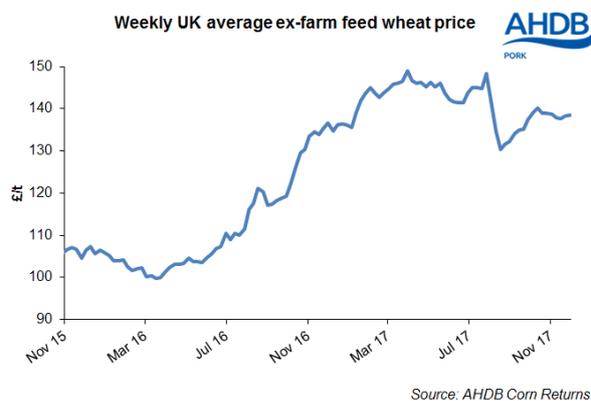
As has been the case for four months now, UK fresh/frozen pork imports continued to decline on the year during September. At 35.5 thousand tonnes, volumes were 11% behind 2016 levels. The declining volumes counteracted higher average unit prices this year. As such, imports were also down in value terms, albeit by a more modest 2%, standing at £74.9 million during the month. This was again primarily due to a 20% (-3.18 thousand tonnes) decline in recorded shipments from Denmark, compared to the elevated 2016 figure, although volumes remain well above 2015 levels. However, declining imports were also reported from the Netherlands, and also smaller suppliers Spain, Belgium and Ireland. Bacon imports also declined again during September, by 21%, with an over 50% decline in Danish shipments driving the fall. Meanwhile, imports of sausages continued to increase on the back of growing shipments from Germany, while processed imports declined as shipments from Ireland fell back.

FEED MARKET

Grain markets have continued to drift sideways over the past month, with a lack of significant news to either drive markets or put them under sustained pressure. On 24 November, UK feed wheat futures (May-18) were worth £144.75/t and since late-August the contract has closed in a range of just £6.75/t. At the headline level, global markets are well supplied following large harvests for most producers across the Northern Hemisphere. In particular, the 2017 Russian wheat crop is a new record at 83Mt and 14% larger than in 2016 (USDA). Also, while the US maize crop, which accounts for around a third of total global grain output on its own, is 4% smaller than last year, it is still the second-largest on record (USDA).

Planting of the South American maize crops, which are expected to account for around 7% of global grain output in 2017/18 (USDA), is currently underway. While planting is behind last year's pace, it will continue to be monitored over the next month or so.

There were mixed trends in trade and consumption of UK grain in quarter one of 2017/18 (Jul-Sep) according to data from HMRC and Defra. For wheat, the big change compared with a year ago is the 78% drop in exports. This dip has been partially counteracted by improved domestic consumption. Usage in milling and retail feed production are both up, as are broiler chick placings. However, the news that Vivergo Fuels, one of the UK's two bioethanol plants, will begin maintenance earlier than planned has cast some uncertainty onto UK markets. For barley, UK exports were approximately 4% down on the year in quarter one following a strong start in July and August. However, usage in GB retail feed production was up 42%; the increased barley usage will be a key trend for the industry to watch this year.



Similar to grains, oilseed and protein prices have generally moved sideways over the past month. On 22 November, Chicago soyabean futures (May-18) closed at £279.75/t on 24 November, £0.76/t lower than a month earlier. Meanwhile, Paris rapeseed futures (May-18) futures closed at £333.31/t on 24 November, compared to £333.32/t on 24 October. With little change to the headline supply and demand forecasts over the past month, currency has been arguably the main influence on oilseed prices.

With growing confidence in the size of the US soyabean crop, now that harvest is all but complete, attention is shifting south. Soyabean planting is well underway across South America and in both Brazil and Argentina, progress is in line with last year's pace. In Brazil, planting was 73% complete by 17 November according to the consultancy firm, AgRural after rain provided adequate soil moisture to help boost planting progress. In Argentina, 23% of the anticipated area was planted by 15 November (Buenos Aires Grain Exchange).

South American soyabean production is forecast to be 4% lower than in the 2016/17 season but still the second highest on record. Furthermore, the region accounts for over half of global output and global exports.

The German rapeseed area for harvest 2018 could be the lowest since 2004, at 1.28Mha, based on initial survey estimates from the country's oilseeds industry association, UFOP. Although Germany is a key EU rapeseed producer, higher rapeseed areas are expected to be sown in France and the UK (other main EU rapeseed producers) compared with last year. Overall the EU rapeseed area in 2017/18 is expected to remain similar to that in 2016/17 (EU Commission).

CONSUMPTION

Volume sales of fresh/frozen pork were up 3% on the previous year for the 12 weeks ended 8 October, according the latest data from Kantar Worldpanel. This was the first time year-on-year growth in the fresh pork category has been recorded for a 12-week period for over a year. When combined with a 7% rise in average retail prices, expenditure on pork was 10% higher than year earlier levels during the period.

A number of cuts were responsible for driving the overall growth in fresh/frozen pork. Leg roasts reported a 31% increase in volume sales, while mince was up by 34% and sales of pork steaks increased by 9%. Importantly, growth was not driven by promotional activity, which was down 27%, suggesting there has been a rise in demand for pork. As lamb and beef retail prices have also been increasing, the comparative price competitiveness of pork may be aiding sales. Looking forwards, with the AHDB midweek meals campaign launched in late September, perhaps this positive momentum in sales volumes can be maintained.

Trends in retail meat purchases (period ended 10 September 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	+3	+1	+1	+2	+1	+1	-0	-1
Pork	+3	+9	+6	-1	+6	+7	-3	-1	+2
<i>Belly</i>	-4	+7	+12	-9	+8	+19	+2	+2	-0
<i>Chops/Steaks</i>	-3	+3	+7	-3	+1	+4	-2	-3	-2
<i>Leg Roasting Joint</i>	+55	+41	-9	+15	+22	+6	+0	+8	+8
<i>Loin Roasting joint</i>	-13	-4	+11	-11	+2	+15	-9	-1	+9
<i>Shoulder Roasting joint</i>	-6	+14	+22	-8	+5	+14	-17	-13	+5
<i>Marinades</i>	+2	+7	+6	+1	+8	+7	-10	-7	+3
<i>Ribs</i>	-5	+2	+7	+5	+8	+3	-0	+1	+1
<i>Mince</i>	+31	+26	-4	+28	+22	-5	+22	+15	-6
Bacon	+4	+4	+0	+2	+3	+0	+3	-0	-2
Beef	+1	+4	+3	-1	+2	+3	+1	+1	-0
Lamb	-8	-6	+2	-9	-6	+3	-11	-7	+5
Poultry	+3	+1	-2	+3	+2	-1	+4	+1	-3
Processed products									
Pork Sausages	+1	+4	+3	-2	+2	+4	+1	+2	+1
Fresh Pre-packed Pork Pies	+4	+2	-2	+5	+5	-0	-1	+4	+5
Fresh Pre-packed Sausage Rolls	-11	-1	+12	-5	+0	+6	-2	+4	+6
Pork Sliced Cooked Meats	+1	+1	-1	+3	+2	-0	+2	+2	-1
Pork Chilled Ready Meals	+10	+12	+2	+6	+8	+2	+4	+9	+5

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

The picture was less positive for processed products, with both sausages and ham showing marginal declines on year earlier sales volumes. However, bacon recorded a positive performance with sales volumes increasing 4% on the year. In addition, rising unit prices meant the value of sausage sales still gained 3% on equivalent 2016 levels.

With the subsequent period containing both Halloween and Bonfire night celebrations, it will be interesting to see whether pig meat sales can continue to grow on year earlier levels in this context. The key Christmas period is also fast approaching, and with retail meat prices inflating this year, buying decisions could be altered. Perhaps the relative price competitiveness of pork, compared to beef and lamb, might offer opportunities this festive period

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