United Kingdom Pig Meat Market Update

May 2019

UK PRICES

GB finished pig prices continued to show little sign of recovery in March, despite significant strength coming to the European market later in the month. Although consumer demand is typically more subdued in the early months of the year, demand from China lit a fire under EU prices. In the UK however, the EU-spec APP averaged 142.86p/kg, down 4% on the same month last year. Prices remain below 2018 levels for now, although with the EU market as it is, this situation is not expected to last. In April, the APP continued to show little sign of life, and was 143.27p/kg for the week ended 13 April, still down on last year.

The EU-spec SPP averaged 137.77p/kg in March, 5% lower than year earlier levels. In April, there has been only a small movement in the SPP. It reached 138.67p/kg in week ended 20 April.

In the week ending 21 April, estimated slaughter for the year reached 2.7 million clean pigs, slightly below year earlier levels. Average weights have been around 85kg so far this year, although there has been some typical seasonal decline from mid-March, and this continued into April.

The price of a 30kg weaner was unavailable for much of March, due to the continued lack of a sufficient sample size. Meanwhile, 7kg weaner prices were broadly stable, averaging £35.33/head. This was
around £2.35 lower compared with the month in 2018. Prices have not moved significantly since then. For the week ending 27 April the average was £35.53/head.

**EU PRICES**

The EU pig price increased steadily during February, but it really picked up momentum last few weeks of March, with the average for the month reaching €142.61/100kg. This was over €8 higher than the where the year began. Prices across the continent typically strengthen from February onwards, with improvements in demand and some tightening of supply, but this year the market is particularly tight, driven mainly by export demand. There have been further price increases recently, the market reaching €168.82/100kg in the latest week, ending 21 April.

The UK market has not yet shown the same price development, and UK prices are now below the European average. The gap compared to the EU average fell from a €19.50/100kg premium at the end of March, to a €7 discount in the week ending 21 April.

**UK SLAUGHTERINGS AND PIG MEAT SUPPLIES**

UK clean pig slaughter in March totalled 854,600 head, under 1% lower than the same month in 2018. Factory breakdowns had limited supplies for much of March, but higher throughput at the end of the month compensated for this.
Throughput fell further in England and Wales, decreasing by over 1% to 683,000 head. Pig slaughter in Scotland also fell by 5% on a year earlier. However, throughput in Northern Ireland rose by 2%. DEARA slaughter figures show that this growth comes from a larger domestic supply, rather than live imports from the Republic.

Meanwhile, adult pig slaughter in March totalled 21,000 head, almost 4% lower than the same month in 2018. This is the second consecutive month of decline.

Clean pig carcase weights during the month averaged 85.1kg, up 2% on the same period in 2018 and on par with the elevated levels in February. Rolled pigs probably influenced this. Consequentially, pig meat production increased by 1% year on year to 75,800 tonnes in March.

UK clean pig slaughter in the first quarter of this year showed some stability, with only a marginal decrease on a year earlier, to 2.63 million head. However, higher carcase weights boosted pig meat production, which was fractionally up at 232,200 tonnes.

UK pork trade in February was more subdued than January. Imports were still higher year on year but export volumes were lower, despite a higher value. This is perhaps indicative of stockpiling efforts by processors preparing for the original Brexit date at the end of March.

Total pig meat imports were up in volume and value. Imports for February reached 74,100 tonnes, up 5% with a value of £179.8 million, up 2%. Fresh/frozen pork drove this change, with shipments up 18% to 37,200 tonnes. Although typically a relatively small component of British pork imports, frozen boneless cuts increased disproportionately. At nearly 5,000 tonnes, volumes more than doubled compared to February last year.

Most of the additional pork came from Germany (+61%, 3,100 tonnes), though shipments from Denmark and Ireland were also higher. However, imports were lower from the Netherlands, France and Italy.
The value of UK pig meat exports (excl. offal) in February was up 7% year-on-year to £33.1 million, but volume was down 5% to 19,400 tonnes. Over 80% of the volume is fresh/frozen pork, and this product followed a similar trend. Volume was down 8% but value up 5% to £23.8 million.

The HMRC data records an unusually large decline in pig meat shipments to Denmark during the month. Volumes were down almost 70% to under 900 tonnes, the lowest volume reported in any month since July 2016.

Nonetheless, pork exports to China remain higher than last year. Volumes increased 28% to 4,000 tonnes. Volumes of pork sent to China therefore approached the volume of pork and other pig meat products traded with Ireland, which remained flat at 4,400 tonnes.

Exports of pig offal for February were up 8% overall at 8,100 tonnes. Value also increased 5% to £7 million. There was a notable increase of 42% in volumes going to China, reaching 3,900 tonnes. This counteracted a sharp decline in shipments to Hong Kong (-1,000 tonnes).

FEED MARKET

UK delivered feed wheat prices rose slightly across the month as sterling levelled out on its February gains. UK barley prices reached a market floor as Brexit uncertainty contributed to a reduced demand.

Much of March’s grain market movement was dictated by Brexit developments. Uncertainty surrounding the situation led to domestic export trade volumes lessening. As a result, barley has experienced reduced domestic and export demand, leading to a build-up of stocks. Whilst purchasers have continued to opt for maize for feed demand.

Fears of a no-deal scenario towards the end of the month led to a slight weakening of the pound which offered some support to the domestic market. New-crop wheat futures (Nov-19) experienced a slight upward trend following old-crop (May-19).

The discount into new-crop widened over the month to £17.65/t (12 Apr). 95% of the UK winter wheat crop was rated as “Good/Excellent” according to the latest ADAS crop report.

Expectations that EU exports will meet forecasts grew increasingly likely over the month, leading to a firming of EU wheat prices. Although large supplies of US wheat still to be exported provided a ceiling to market gains.

UK delivered rapeseed prices rose over the month following a firming of nearby rapeseed futures observed on the continent. Market gains were mainly driven by an increase in purchasing demand for rapeseed after markets had moved lower in the month before. A move by China to impose restrictions on Canadian rapeseed imports contributed slightly.

A reduced EU rapeseed forecast has the area planted at 18% lower than 2018/19. With the planted area at its lowest since 2006/07, a potential tightness in EU supply could be observed.
Season to date EU import figures show soyabean imports up 11% on last year. Around 77% of those imports were of US origin, highlighting US intentions to move large supplies after fallout from the US-China trade war.

Global soyabean supplies are expected to rise with reduced feed demand caused by the African Swine Fever outbreak throughout the Chinese pig herd. Production figures for Chinese pork are forecast a 30% reduction for 2019 from last year, according to Reuters.

Sterling fluctuated over the month with Brexit developments weighing heavily on movements. The Dollar saw rises with positive US GDP figures released. However, continuation of the US-China trade war has capped increases to an extent. The euro-dollar exchange rose slightly over the period.

**CONSUMPTION**

In the 12 weeks ending 24 March, GB volume sales of primary red meat, poultry and bacon declined 3% year-on-year. This may relate to a late Easter and Mother’s Day this year, as these events are important volume drivers. However, fresh and frozen pork sales bucked the trend and increased by 1%, according to data from Kantar Worldpanel.

There were some changes in the product mix. While pork leg and loin roasting joints lost out, shoulder-roasting joints recorded a sharp increase in sales. This may relate to price changes; while all three joints recorded increasing shelf prices, the increase on shoulder roasting joints was more muted.

The volume of bacon purchased faced continued pressure, recording a decline of almost 8% in volume. Kantar reports this is due to both fewer shoppers and fewer trips. There was also less volume on promotion, however, average shelf prices actually recorded little change. Kantar also indicates that while all demographic groups are declining for bacon, it is particularly households with older dependents driving the decline.

Sausage and ham, where sales had been steady if not a little up in previous data releases, slipped marginally in volume terms.

Total pig meat* sales declined by just over 1% in volume and almost 3% in value.

*encompasses primary, bacon, sausages, sliced cooked meats, chilled main meal accompaniments, ready to cook, pulled pork, pork ribs and burgers and grills.
Trends in retail meat purchases (period ended 24 March 2019)

<table>
<thead>
<tr>
<th>Fresh and Frozen Meat, Poultry and Bacon</th>
<th>4 weeks 2019/2018</th>
<th>12 weeks 2019/2018</th>
<th>52 weeks 2019/2018</th>
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<tbody>
<tr>
<td></td>
<td>Q</td>
<td>E</td>
<td>P</td>
</tr>
<tr>
<td>Pork</td>
<td>-3</td>
<td>-4</td>
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<tr>
<td>Belly</td>
<td>+1</td>
<td>-1</td>
<td>-2</td>
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<tr>
<td>Chops/Steaks</td>
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<td>-5</td>
<td>-10</td>
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<tr>
<td>Leg Roasting Joint</td>
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<tr>
<td>Lean Roasting Joint</td>
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<tr>
<td>Shoulder Roasting joint</td>
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<tr>
<td>Marinades</td>
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<td>Mince</td>
<td>-7</td>
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</tr>
<tr>
<td>Bacon</td>
<td>+13</td>
<td>+11</td>
<td>-2</td>
</tr>
</tbody>
</table>

% change compared with a year earlier

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