UK PRICES

The EU-spec APP edged up in June, to average just under 152p/kg. This was almost 4p higher than the previous month, though still around 1p lower than last year. The strength of prices on the continent, and good export demand, continued to offer price support.

Similarly, the monthly average SPP increased by 4.5p to 149.35p/kg in June. The difference between the two price series therefore narrowed to 2.61p, the smallest gap since 2014. Finished pig prices continued to rise in the first three weeks of July, albeit at a reduced pace. For the week ended 27 July, the EU-spec SPP reached 152.79p/kg, the highest level since November 2017.

The average finished pig carcase weight for the SPP sample in June was around 200g lighter than the previous month, at 83.33kg. Declines in carcase weights are expected during this time of year, due to the higher temperatures. The latest monthly average was still half a kilo above last year though.

The weaner market also strengthened during June. The 7kg weaner price gained 89p to average £37.07/head, but this was still 84p below year earlier levels. The only limited uplift in weaner prices recently perhaps follows from limited finishing space, as pigs are being taken to heavier weights. There was also an upward trend in the 30kg weaner market, with the average monthly price gaining £2.06 to reach £51.06/head.
EU PRICES

In the four weeks ending 21 July, the EU pig reference price declined by €3.89 to €174.27/100kg (£156.69/100kg). This is the lowest price since the mid-May.

Prices had been continuing to rise gradually amid supply tightness in Northern Europe. However, there were signs this might not be sustainable, with continuing reports of sluggish domestic markets and some slowdown in Chinese demand. Downward pressure is typically felt in Northern Europe during summer months due to the start of the holiday season. This year the situation has perhaps been compounded by the suspension of German exports to the Philippines at the start of July. Although, the Philippines only accounts for 3% of German pig meat exports.

In the UK, prices have continued to rise. In the week ending 21 July, the UK price stood at 152.29p/kg, 2.63p higher than four weeks ago. Although, there was a slight decline in the latest week. Converted to euro, the price is €169.38/100kg, with a smaller four-week rise of €1.65/100kg. Throughout July, sterling has increasingly weakened, as a no-deal Brexit seems increasingly likely.

On an individual country basis, price declines are apparent across the major northern EU producers. In Germany, the price declined by €7.43 over four weeks, to €180.65/100kg in the week ending 21 July. The Netherlands and Denmark also saw declines. The Dutch price fell by €7.18 to €158.34, whilst the Danish price fell €4.16 to be €169.15/100kg after a few weeks of stability.

In contrast, Southern European prices have seen seasonal rises as summer brings tourist demand. The extreme temperatures have also slowed production. Whilst other nations have seen declines, Spanish prices rose by €2.27 over the last four weeks to €181.12/100kg.
UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

Clean pig slaughter

At 823,800 head, UK clean pig slaughter in June was around 1% lower than the same month in 2018. However, as there was one fewer weekday in the month this year, the rate of slaughter is likely to have been higher.

Looking at the UK regions individually, clean pig slaughter in June recorded the following year-on-year trends:

- England & Wales: 663,000 head (-1%)
- Scotland: 28,000 head (+6%)
- Northern Ireland: 133,000 head (no change)

Slaughter during quarter two therefore totalled 2.63 million head, slightly higher than last year. This is similar to our April forecast (2.59 million head). Difficulties with herd performance last year were expected to limit slaughter numbers this spring. Pigs have also been taken to heavier weights, delaying some marketing. For the first half of the year, the UK clean pig kill stands at 5.26 million head, virtually the same as in 2018.

Carcase weights

Finished pig carcase weights for June averaged 83.9kg, over 1kg heavier than in June 2018. Though, weights still recorded a seasonal decline compared to May.

Adult pig slaughter

There was a 13% annual decline in the number of adult sows and boars slaughtered in June, to 18,200 head. This meant the quarterly figure stood at 58,700 head (-10%). Adult pig slaughter was
expected to be lower this year, with a high cull rate in 2018 leading to a younger herd. However, the decline is a little larger than we forecast, perhaps reflecting producer optimism around rising pig prices.

**Production**

Altogether, pig meat production in the month totalled 71,900 tonnes, virtually the same as a year earlier. The half-year figure comes to 462,800 tonnes, a slight increase on 2018 (+1%).

**Trade**

The UK’s pork export market performed strongly in May. Fresh/frozen pork shipments were up 31% on a year earlier, at 21,200 tonnes. This was the highest figure for May based on records going back to 1997. Average export prices were also a little higher, so export value was up by just over a third, at £31.5 million.

The growth was driven by shipments to China, which more than doubled compared to a year earlier, at 7,200 tonnes. This is unsurprising given the ongoing African Swine Fever crisis in China. There were also smaller increases to most other key trading partners, reflecting the relative price competitiveness of UK pork compared to product from other EU exporters.

**UK offal exports, on the other hand, declined by 4% on May 2018.** Trade with individual countries was mixed, as can be seen below:

At 32,600 tonnes, fresh/frozen pork imports in May were 16% lower than last year. There were lower imports from nearly all suppliers, but particularly Denmark (-18% or -2,300 tonnes). With rising EU pig prices, and a falling pound, average import prices were 15% higher. The total value of supplies was therefore only 3% lower at £71.5 million. The poor competitiveness of imported product, and higher imports earlier in the year due to Brexit stockpiling, likely subdued import demand.

**FEED MARKET**

Prices of both feed wheat and feed barley (UK ex-farm, July delivery) fell considerably during July. In the five weeks to 25 July 2019 ex-farm UK feed wheat (spot) fell by £11.20/t, to fall below £135.00/t for the first time since September 2017.

The move lower in UK feed wheat prices has been driven by a large supply outlook, both in the UK and on a global scale. UK wheat production for 2019/20 could reach as much as 15.3Mt, this would leave the UK with a significant exportable surplus of wheat and will leave prices pressured.

Similarly, barley prices have been falling in anticipation of large supplies and an uncertain outlook for trade post-Brexit. UK barley production is expected to return to normal this season. However, with potentially high tariffs on UK barley exports to the EU beyond 31 October prices have fallen back.

UK exports of barley to the EU have averaged 975Kt over the past five years. With tariffs in place, UK barley will need to compete against other cheap origin barley. UK barley prices have dropped £9.30/t in the five weeks to 25 July. Spot feed barley prices are now at their lowest point since September 2017.

Some of the surplus of feed barley is likely to be used in the production of animal feed. US maize has become more expensive on the back of slow planting and poor conditions. Although the growing conditions have now improved in the US, barley still looks cheap relative to maize for feed production.

The first sign of increased usage of barley in animal feed production (compound and integrated poultry units) was seen in May. Usage of the grain increased 7% month-on-month, while usage of wheat and maize fell.
Soyabean prices have been volatile over the course of the past month. Uncertainty over the area planted to the crop in the US, combined with ongoing trade friction saw prices spike, before falling back again.

Shipments of soyabeans from the US to China have recommenced, albeit to a lesser extent than had previously been reported. The market lifted slightly on this news but 2018/19 soyabean ending stocks remain heavy and more US exports will be required.

For the new season, uncertainty over the area planted to soyabeans in the US is resulting in significant uncertainty. The International Grains Council currently forecast production and stocks to move to levels that are more “normal” in 2019/20.

The global rapeseed market continues to look tight and rapeseed prices have been climbing as a result. The EU is expected to produce its smallest rapeseed crop since 2006, Ukrainian yields have been lower this season and Canadian production is forecast to be down year-on-year.

UK delivered rapeseed prices (November, Erith) have risen £11.00/t since the beginning of June, to £341.50/t on 26 July.

**CONSUMPTION**

Overall GB pig meat* retail sales were 3% down year-on-year in the 12 weeks ending 16 June, according to Kantar data. Lower prices meant market value declined further, by 5%.

Poorer summer weather this year, and fewer major national events have perhaps negatively affected sales of typical picnic, buffet and barbeque products. Ham, pork pies and sausage rolls all recorded declining sales in both volume and value terms. Pork sausages are also in decline, reflecting both fewer shoppers and a decline in volume per buyer.

Bacon, the largest pig meat category, has continued to decline. Volumes were down nearly 7%, and lower prices meant an 8% drop in value. Market penetration fell by 4%, as did volume per buyer. Negative health messages around bacon are perhaps not only encouraging fewer purchases but also driving some shoppers to exit the category. Kantar report that bacon marketed as being healthier does appear to be in growth, albeit from a small base. This has not been enough to offset an overall decline.

Total fresh and frozen pork sales were down 1% in volume, and back 3.5% in value. The other red meats appear to have performed better. However, these are probably more affected by the later timing of Easter this year influencing year-on-year comparisons. This may have also influenced the relatively strong performance of fresh and frozen pork roasting joint sales.
## Trends in Retail Meat Purchases (Period Ended 16 June 2019)

<table>
<thead>
<tr>
<th></th>
<th>4 weeks 2019/2018</th>
<th>12 weeks 2019/2018</th>
<th>52 weeks 2019/2018</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Q</td>
<td>E</td>
<td>P</td>
</tr>
<tr>
<td><strong>Fresh and Frozen Meat, Poultry and Bacon</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Pig Meat*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pork</td>
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<td></td>
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</tr>
<tr>
<td>Belly</td>
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<tr>
<td>Chops/Steaks</td>
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</tr>
<tr>
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<tr>
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<td>+2</td>
<td>-5</td>
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<tr>
<td>Shoulder Roasting Joint</td>
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<td>+5</td>
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<tr>
<td>Marnades</td>
<td>-17</td>
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<td>-1</td>
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<tr>
<td>Ribs</td>
<td>-16</td>
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<tr>
<td>Mince</td>
<td>+14</td>
<td>+18</td>
<td>+4</td>
</tr>
<tr>
<td>Bacon</td>
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<tr>
<td>Beef</td>
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<tr>
<td>Lamb</td>
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<tr>
<td>Poultry</td>
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<td>-4</td>
<td>+0</td>
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<td><strong>Processed Products</strong></td>
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<tr>
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<tr>
<td>Fresh Pre-packed Pork Pies</td>
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<td>Pork Sliced Cooked Meats</td>
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<tr>
<td>Pork Chilled Ready Meals</td>
<td>-2</td>
<td>-1</td>
<td>+1</td>
</tr>
</tbody>
</table>

Q = quantity purchased, E = expenditure, P = price
Source: Kantar Worldpanel
*encompasses primary, bacon, sausages, sliced cooked meats, chilled main meal accompaniments, ready to cook, pulled pork, pork ribs and burgers and grills.

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