United Kingdom Pig Meat Market Update

September 2019

UK PRICES

In July, the EU-spec APP averaged 154.98p/kg, up for the fourth consecutive month and over 3p higher than June. This was also nearly 2p higher than the month last year. Having risen steadily since early April, finished pig prices recorded the highest monthly average since November 2017. Despite subdued demand in the UK market, strong prices in the EU and ongoing demand from China maintained upward pressure on clean pig prices. This was enough to overcome increasing supplies of pork, driven by heavier carcase weights this year. However, by August prices had started to stabilise. In the week ended 17 August, the EU-spec APP stood at 155.61p/kg.

The EU-spec SPP for July stood at 152.38p/kg, 3p higher than the previous month. This was also the highest monthly average since November 2017. This series has also stabilised more recently, averaging 152.95p/kg in the week ending 24 August.

Carcase weights remained quite flat in July, with the average for the SPP sample at 83.42kg. Cooler weather conditions this year will have helped pigs finish at nearly 1kg heavier than in the month last year. Weights have remained around this level into early August.

The increase in finished pig prices also boosted the weaner market, with the 7kg average edging up £1.65 to £38.72/head in July. This may indicate improved producer confidence, with anticipation of further pig price growth and falling feed prices. However, limited fattening accommodation has
reportedly been constraining demand somewhat. The 30kg weaner market followed a similar trend. Prices showed a monthly rise of nearly £2 to £52.98/head.

**EU PRICES**

In the week ended 25 August, EU pig prices continued to rise to a multi-year high at €180.61/100kg. This was over €7 higher than at the beginning of August.

*European production has been lacklustre,* particularly in Germany, Europe’s largest producer, which has helped support prices. Growth in Chinese demand also seems to be re-emerging; Chinese wholesale pork prices are now in excess of 30RMB/kg, (€3.78), up from around 20RMB two months ago.

However, the market signals are not wholly price supportive. Demand has been reported to be lower than expected across much of Europe, particularly the north. Processor margins are reported to be suffering, caught between a scarcity of pigs and weaker demand. This may affect the sustainability of price rises, especially if production starts to pick up. Companies with access to China are likely to be in a more favourable position.

*Comparative EU pig prices (sterling)*

(source: AHDB)

**Figures show % changes in 4 weeks to 25 August 2019**
On average, EU pig prices have continued to extend their premium to UK prices during August, and were over €13/100kg higher in the latest week. Some weakening of sterling against the euro over the past month has influenced this. If European prices remain strong, then the SPP would normally be expected to follow, but only at its own pace.

**UK SLAUGHTERINGS AND PIG MEAT SUPPLIES**

In July, UK clean pig slaughter reached 909,100 head, 3% more than the same month in the previous year. However, this July did have an additional weekday compared to last year. Also, note that Defra has revised the June slaughter figures down in the latest data release, to 809,400 head. This is now 3% lower than a year earlier. Clean pig slaughter for the year so far now totals 6.15 million head, just 0.4% more (21,700 head) than the same period last year.

Clean pig slaughter in July recorded year-on-year increases across all UK regions. Scotland saw a lift of nearly a quarter in slaughter. This is likely because of a reduction in throughput last year due to a national shortage of CO2, which particularly affected a major Scottish plant.

- England and Wales ↑ 2% to 732,500 head
- Scotland ↑ 24% to 30,000 head
- Northern Ireland ↑ 6% to 146,600 head

**Carcase weight**

Finished pig carcase weights in July averaged 83.9kg, over 1.8kg heavier than July 2018. Though, weights still recorded a seasonal decline compared to June.

**Adult pig slaughter**

Slaughter of sows and boars in July totalled 19,100 head, 7% less than the same month in the previous year. This is not surprising, as cull rates were relatively high last year, reflecting an older breeding herd.
Production

Pig meat production for July reached 79,100 tonnes, 5% more than the same month last year. As such, production in the year to July now totals 540,800 tonnes, 2% more than the same period last year.

Trade

The UK’s pork export market performed well again in June. Although not quite matching May’s volumes, fresh/frozen pork shipments were still 10% higher than a year earlier, at 18,400 tonnes. This approached the volume seen in June 2016, when China last increased its imports due to a sow shortage. Average export prices were also higher, boosting export value by nearly a quarter, to £28 million.

Once again, growth in shipments to China underpinned overall exports. Volumes nearly doubled compared to a year earlier, at 5,300 tonnes, while trade with other countries generally lost ground.

UK pig offal exports picked up too, by 8% on June 2018. Although a mixed picture overall, trade with China and Hong Kong grew by enough to increase volumes overall.

Fresh/frozen pork imports in June were 21% lower than a year ago. There were lower imports from all but two of the top ten partner countries, in particular Denmark (-30% or -3,750 tonnes), and Germany (-21% or 2,000 tonnes). Average import prices were 13% higher, deterring volumes.

FEED MARKET

UK harvest has been well underway throughout August and the outlook for a large cereal harvest has been confirmed. Although there is still some way to go until harvest 2019 is complete, it is unlikely that prospects will alter dramatically towards the end of harvest.

As a result of good prospects, grain prices have dropped. UK Ex-farm feed wheat (August delivery) has lost £10.80/t over the month. Meanwhile, UK ex-farm feed barley (August delivery) has also dropped but to a lesser extent, falling £1.80/t over the month.

The release of the USDA supply and demand estimates (WASDE) report in early August revised figures for US cereal crops, pushing markets lower. US corn (maize) production was revised up, at 353.1Mt, well above trade expectations. On the day of the WASDE release US maize futures (Dec-19) crashed to the lowest possible point in a day and US wheat futures (Dec-19) also fell 5%. UK and Paris wheat futures both dropped but to a lesser extent, with little time to react before UK trading closed.

Over the month, UK feed wheat futures (Nov-19) and US grain futures (Chicago maize and wheat Dec-19) have moved lower. UK feed wheat futures (Nov-19) lost £12.50/t over the month closing on Friday 23 August at £133.50/t.

UK feed barley purchases have hit a record high for July and August with cumulative spot purchases of feed barley reaching 290.4Kt. Large old crop carry-out, large new crop prospects and Brexit uncertainty will all be contributors to this (read more here).

Barley usage in animal feed production (compound and integrated poultry units) increased towards the end of the season (July – June), up by 12% from May to June 2019. This is up 23% compared to June 2018. Wheat usage also increased from May to June (18%) whereas Maize only increased 3%. Imported maize is still relatively expensive compared to UK feed wheat or barley which could support demand for domestic grains. However, if maize prices continue to fall it could become more competitive and increase its presence in animal feed rations.
Both UK and wider European oilseed rape production is significantly down year-on-year. The latest USDA WASDE estimates EU production at 18Mt, the lowest since 2006/07. This supply outlook, along with some currency support has seen physical UK oilseed rape prices (delivered into Erith, November) rise by £8.00/t since the end of July, to £349.50/t on 23 August.

European rapeseed futures (Nov-19) rose considerably early in the month, before falling back by €4.00/t on Friday 23 August. Pulled lower by Chicago soyabean prices. Chicago soyabean futures (Nov-19) have been a little more variable from the beginning of August but have dropped $3.21/t to 23 August.

The USDA WASDE reported US soyabean area and ultimately production below trade estimates but the market reaction was short lived. Despite lower 2019/20 production estimates, old-crop stocks remain large. With no resolution between China and the US, trade is slow and high carry-out of old-crop is looking likely.

CONSUMPTION

Overall GB pig meat* sales volumes fell almost 5% year-on-year in the 12 weeks ending 14 July, according to the latest Kantar data. The drop in value was slightly larger, due to a small decline in average retail prices. Total beef sales were back just over 2%, despite an increase in primary beef sales. Conversely, total lamb volumes increased by 6%, which is especially positive since we are now outside of the key Easter period.

Processed pig meat products, such as pork pies, sausage rolls and sliced cooked meats (including ham), particularly recorded a decline in sales. This may be related to poorer summer weather this year reducing picnic and outdoor dining occasions. Sliced cooked meats remains a large category, but this year, there was a sharp decline in the number of baskets containing the product (-12.2 million). Falling volume per buyer drove the overall decline in sales, as the number of shoppers purchasing cooked sliced pork over the 12-week period declined only marginally. Bacon sales have continued to reflect the trends of the previous update.

Fresh and frozen primary pork sales recorded a 3% year-on-year decline in volume, with average price also slipping. Roasting joints and mince recorded increases, though this was not enough to counter decreases in more popular pork categories.
This pig meat sector UK market update was prepared by:
Felicity Rusk, Bethan Wilkins and Duncan Wyatt, AHDB Market Intelligence

Phone: +44 (0)24 7647 8818/8757/8856

e-mail: Felicity.Rusk@ahdb.org.uk, Bethan.Wilkins@ahdb.org.uk, Duncan.Wyatt@ahdb.org.uk

Twitter: @AHDB_Pork #PorkMarketNews

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