



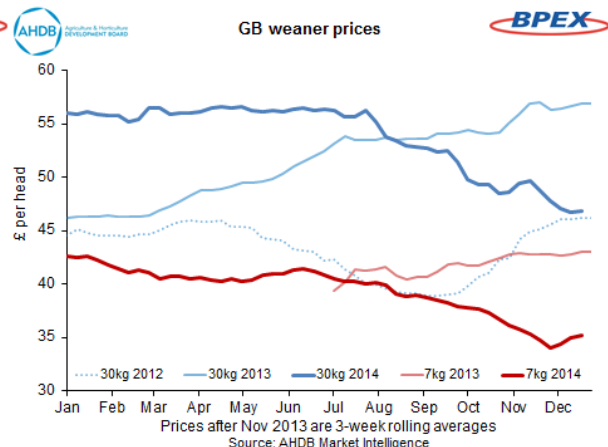
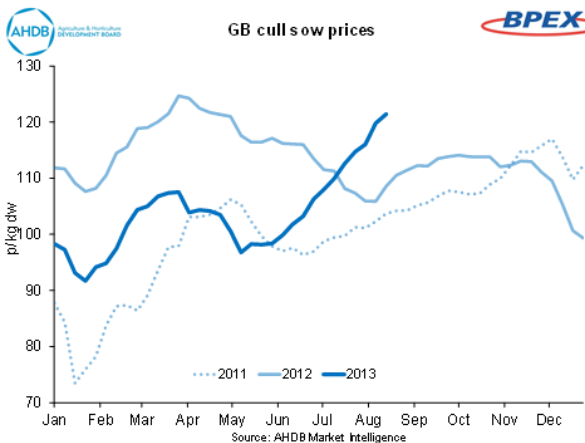
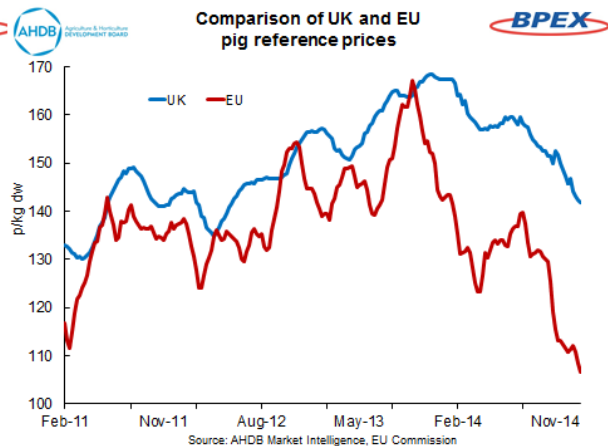
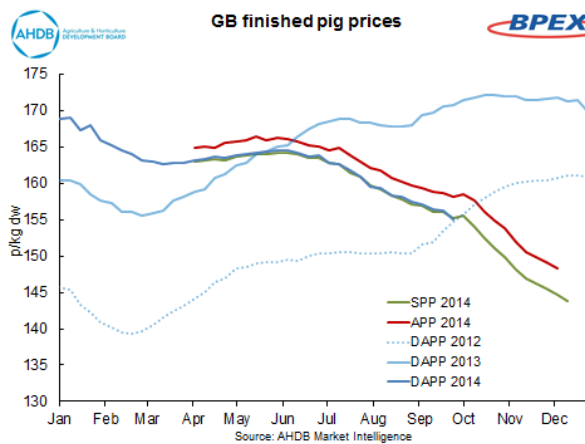
## United Kingdom Pig Meat Market Update

January 2015

### UK PRICES

A different story to last year is reported for November 2014 finished pig prices. The EU-spec GB SPP averaged 146.64p per kg, down just under 6p on the month and as much as 25p lower than the DAPP in November 2013. This puts the price at its lowest since the SPP began reporting in April, with the producer receiving nearly 17p less per kilo than in that month. The 6p fall represented the largest month-on-month decrease in pig prices in more than a decade and appears to be a continuing trend; in the week ended 13 December the SPP had fallen to 143.84p per kg. There have been plentiful supplies of pigs on the market recently, with slaughterings reaching levels not seen since before the 2001 FMD outbreak. Demand has not increased to match the higher supply, with low EU prices also weighing on the market.

The average EU-spec GB APP during the month was 150.35p per kg, a 5.79p drop since October. Whilst still following similar downward trends, the differential between the SPP and the APP grew to 3.71p, suggesting 'premium' pigs are holding their value marginally better.



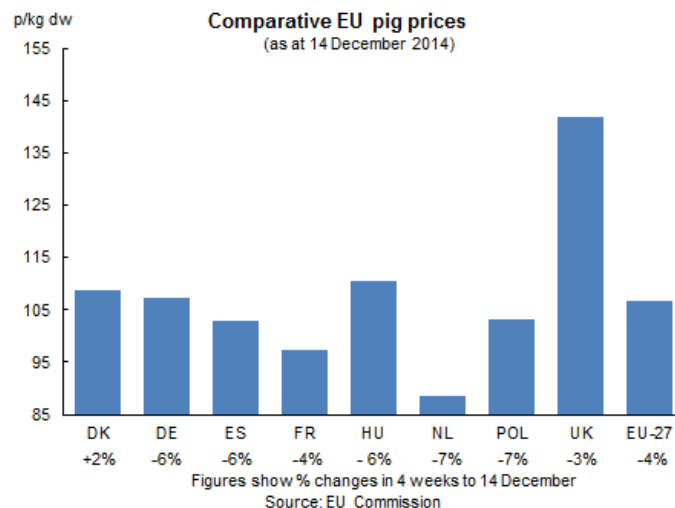
The average APP carcase weight in November was 82.03kg, similar to the previous month and well above the highest average ever recorded from the DAPP sample. These heavier weights are contributing to increased pig meat production. Good growing conditions throughout the summer, along with low feed prices have contributed to the rise in weights. In addition, some pigs have reportedly been rolled by a week or more during the autumn, although the backlog had reportedly been cleared by mid-December. Certainly carcase weights began to fall again, dropping to 81.08kg in week ended 6 December, the lowest average since August.

30kg weaner prices in November averaged £49.07 a head. This is a minor increase on the month but was almost £8 less than this time last year. Similarly, 7kg prices have followed the finished pig price as well, dropping to £34.84 a head, giving the breeder £8 a head less than a year ago. 7kg prices have stabilised somewhat into December, perhaps in anticipation of better finished pig prices later in the spring. However, 30kg prices have continued to fall.

## EU PRICES

The EU finished pig reference price continued to fall throughout November to average €140.85 per 100kg, nearly €3 down on the previous month. With constant decreases since June this year, November's price is over €30 down on a year earlier. Ample supplies throughout the continent are the main contributing factor to this continued downward trend, as productivity remains strong. The average UK reference price mirrors the EU price trend but at a slightly slower rate, losing €16 on the year to stand at €183.71 per 100kg. Consequently, the gap between the two prices was at the top end of the €25-€45 range seen throughout the year.

Having stabilised somewhat during November, prices began to fall more quickly again in December, dropping to an average of €135 per 100kg in week ended 14 December, the lowest level recorded since early 2011.

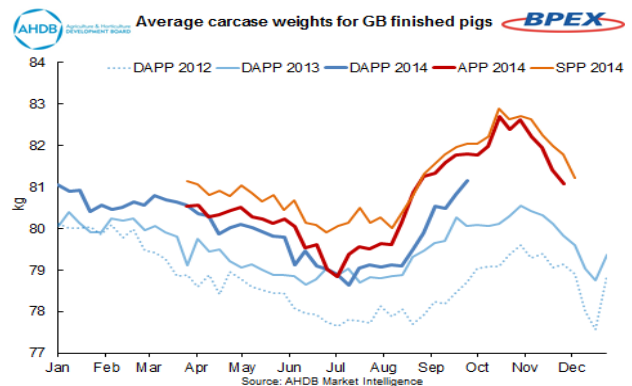
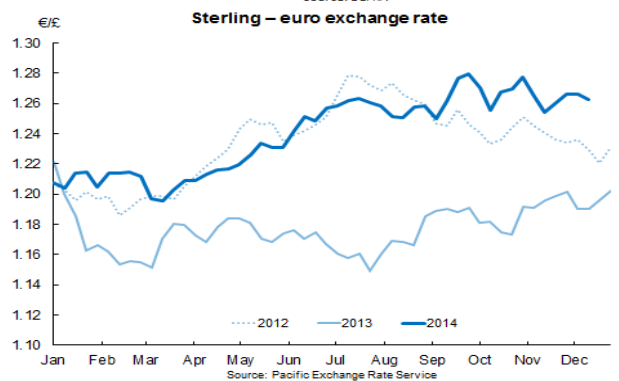
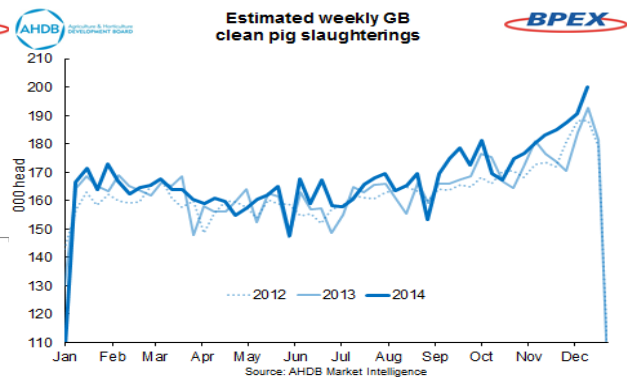
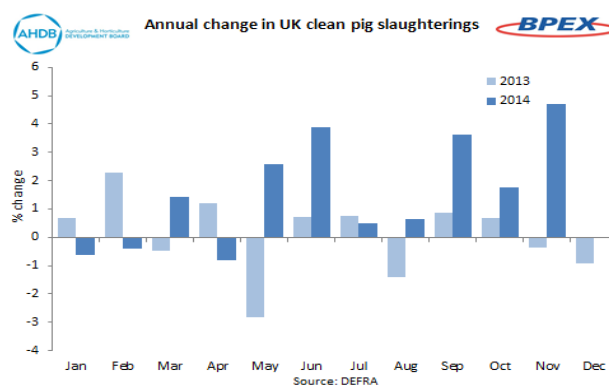


All the major EU producers saw a drop in price in the year to November. For some, like Spain, favourable weather conditions have aided productivity and conditioning, increasing availability. This has caused a fall in the Spanish price of €46 since the peak in June. In the latest month, however, some countries, like Belgium, Denmark and Austria, recorded a slight increase in price as supply tightens. The German price cuts seen in recent months have slowed. However, its quote remains €26 down on the year, having fallen just over a euro between October and November. Several other key countries, including the Netherlands and Poland had prices back around €30 on the year as well.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

November slaughtering figures confirm that there were plentiful supplies on the UK market. The number of clean pigs slaughtered in the latest month was 5% higher than the same month in 2013, at 867,300 head. This was the biggest annual increase for any month since May 2012 and the average weekly kill during the month was the highest since December 2000, helped particularly by improved sow productivity and better growth rates this year. There was a 5% year-on-year increase in throughputs in England and a 4% rise in Northern Ireland slaughterings, while the numbers killed in Scotland remained unchanged from last year.

The number of adult boars and sows culled in November totalled 18,500 head, down 5% compared with the same period in 2013. This is probably the result of low cull sow prices, meaning producers are retaining sows which might ordinarily have been slaughtered. Certainly there is no sign that low pig prices are yet leading to producers reducing their sow herds. With clean pig carcasse weights up by more than 2% in November to 82.2kg, another record, monthly pig meat production totalled 74,100 tonnes, the highest November figure since 1999. As such, pig meat production in November was 7% higher than the same month in 2013.



Latest figures published by HMRC show a 2% year-on-year increase in October pork exports, to 17,400 tonnes. In fact, this was a 17% rise compared with the same month in 2012, following a strong performance last October. For the first time in six months, Germany held the position as the UK's number one market for exports. Volumes exported to Germany increased by 4% compared with a year earlier. However, the amount exported to the EU declined by 5% overall. This came as higher supplies available on the continent reduced import requirements. This meant that China moved into second position as its purchases increased by 12%, which contributed to the overall increase in shipments. Despite the increment in volumes exported, the value of supplies totalled £19.9 million, marginally down on October 2013, as a result of lower export prices.

Total offal exports in October reportedly rose by almost 50%, up from 2,300 tonnes in October 2013 to 3,500 in 2014. This stemmed from a significant increase in shipments to China/Hong Kong, although industry reports do not support such rapid growth.

With UK supplies outstripping demand, UK pork imports in October were 6% lower than last year, at 29,900 tonnes. This was the lowest October figure since 2009 and came despite the record difference between UK and EU pig prices during the month. With the exception of Belgium and Ireland, imports from all the key suppliers were lower. Denmark, Germany and the Netherlands account for almost two thirds of the total imports and supplies were down by 2%, 12% and 2% respectively. Given the price drops across the European Union, the value of imports came down by 19% to £55.1 million.

Bacon imports fell by 2% in October, compared with a year earlier, largely due to a 15% decline in supplies from Holland. Imports of sausages fell by 4% on October 2013, given a 10% fall in volumes from Germany. Processed pig meat was the only category to record an increase in imports, up 3% year on year, despite a 22% fall in supplies from Ireland.

## **FEED MARKET**

May-15 UK feed wheat futures settled at £139/t on Tuesday 16 December, up by 25p on the 1 December price. However, this marginal change masks quite a lot of volatility in wheat markets throughout December. On 2 December, the May-15 contract closed above £140/t for the first time since early July, before declining to a monthly low of £131.65/t on 11 December. In recent days, prices have found support again.

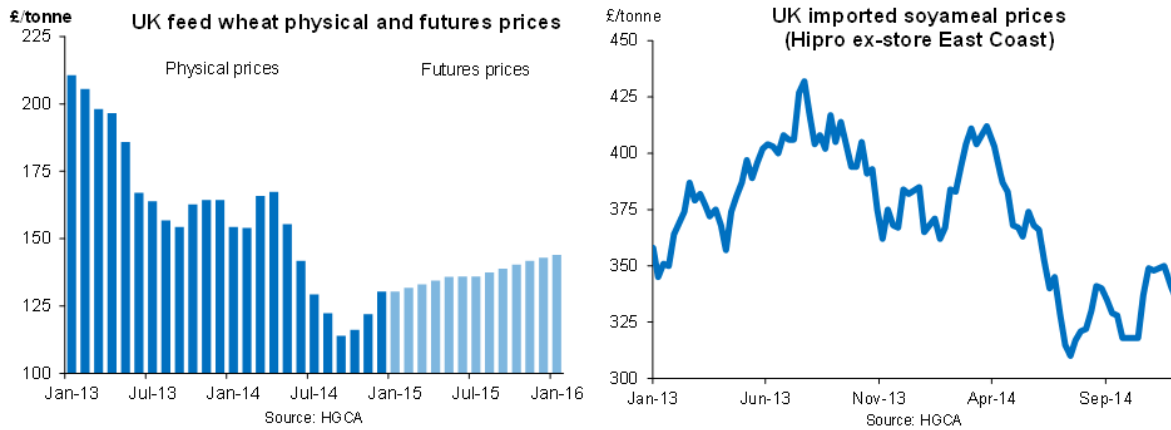
The focus of the wheat market has predominantly been on events in Russia. Earlier threats of restrictions to Russian exports introduced a risk premium to futures markets. This has since dissipated, as one of the world's biggest trading houses revealed it hadn't seen any intervention in trade. However, concerns have since resurfaced that Russia may lower grain exports to help deal with its high inflation. The markets will continue to keep a close eye on events in Russia, which appear to have been the main market mover lately.

With geopolitics currently playing such a role in price direction, market sentiment is not just following the fundamentals, which remain bearish. In its latest World Agricultural Supply and Demand Estimates (WASDE), the USDA lifted forecasts for wheat and maize in December. Global wheat output is now forecast at a record 722.2Mt, with maize pegged at 991.58Mt. The latest estimates resulted in higher stocks to use ratios for both grains, further increasing the confidence in global volumes this season.

According to the latest UK trade data from HMRC, the UK was a net-exporter of wheat in October, for the first time since May 2012. The UK exported 218.6Kt of wheat, the highest monthly total so far this season. However, there is still a lot of work to be done, as the export pace is lagging behind that of previous large production years. In addition, the UK has imported 486Kt of maize so far this season, just 30Kt less than at the same point in 2013/14, a record year for maize imports. The price competitiveness of maize relative to feed wheat has improved further in recent weeks.

This suggests increased competition between wheat and maize for animal feed demand. Defra's animal feed statistics for October indicate that total GB retail animal feed production was down by 3.1%, compared with October 2013. Raw material usage in animal feed production was also down by 3.7%, with a slightly higher cereal incorporation rate.

Looking ahead, FAO cereal supply and demand estimates reveal an increase to global cereal production in 2015, with total cereals production expected to reach 2.53Bt, up 6.9Mt on this season's current estimate. In the UK, drilling conditions have been favourable for growers so far this year, according to the November crop report from ADAS.



The oilseeds complex has received some support during December, with futures prices for both Paris rapeseed and Chicago soyabeans up since 1 December. The support has come mainly from strong demand for US soyabeans. Accumulated exports of US soyameal for the current marketing year had reached 1.99Mt by 4 December, an increase of 307Kt since the previous week, but behind the amount exported by the same time last year. However, total export commitments stand at 6.9Mt, ahead of the 5.9Mt committed by the same point in 2013/14.

However, in recent days there has been a downward trend for futures prices, following higher global soyabean production forecasts by the USDA and crush data for US soyabeans. In December, the USDA increased their estimates for global soyabean production by 0.75Mt, to 312.8Mt. In addition, US soyabean stock estimates were higher than many trade expectations, resulting in pressure on future prices. In addition, while the volume of soyabeans crushed was the largest on record for November, this was also lower than the average trade estimates.

Rapemeal (34%, Ex-mill Erith, December delivery) is currently £186/t, up by £8 from the price at the end of November. Hi-Pro soyameal (Ex-store, East Coast, December delivery), was £338/t on 12 December, down £2 on the end of November.

## CONSUMPTION

Figures published by Kantar Worldpanel show that shopper spending on pork was down by 7% on the year in the 12 weeks ending 9 November. With volumes sold during the same period down by just 1%, the decline in value is largely driven by weaker prices compared with last year. Such lower prices have supported sales to some extent, with some switching in consumer shopping baskets from beef and lamb to pork. However, chicken remains the cheapest meat, and has attracted consumers seeking financial savings away from other meats. Overall, the amount of red meat purchased was down just over 3% and this follows a few periods where volumes had firmed up.

Pork leg roasting joints performed particularly well, with volumes consumed up by 15% compared with a year earlier. Some dampening of prices meant that the amount spent on leg joints rose by only 7%, still a

positive picture, helped by significant growth in one of the major retailers which was offering price promotions. In contrast, the largest year-on-year decline for the 12 week period ending 9 November was recorded for spending on pork belly, followed by pork loin roasting joints.

Shoppers purchased slightly more bacon and sausages during the latest 12-week period than they did a year before. In both cases prices were little changed, so spending on these categories also rose slightly. However, the amount of sliced cooked meats (mainly ham) purchased was 3% lower than a year earlier, despite prices again being little changed.

#### Trends in retail meat purchases (period ended 09 November 2014)

	4 weeks 2014/13			12 weeks 2014/13			52 weeks 2014/13		
	Q	E	P	Q	E	P	Q	E	P
	% change compared with a year earlier								
<b>Fresh and Frozen Meat, Poultry and Bacon</b>	<b>-3</b>	<b>-4</b>	<b>-2</b>	<b>+1</b>	<b>-3</b>	<b>-4</b>	<b>-1</b>	<b>+1</b>	<b>+2</b>
Pork	-2	-10	-8	-1	-7	-7	+1	-2	-3
<i>Belly</i>	-10	-8	+2	-13	-13	-0	-7	-6	+2
<i>Chops</i>	-4	-10	-7	-1	-8	-7	-1	-3	-3
<i>Steak</i>	-15	-14	+1	-8	-9	-2	-6	-7	-1
<i>Leg Roasting Joint</i>	+31	+14	-13	+15	+7	-7	+6	-1	-6
<i>Loin Roasting joint</i>	-21	-28	-9	-4	-11	-7	+8	+2	-5
<i>Shoulder Roasting joint</i>	+28	+11	-13	+8	-3	-11	+8	+3	-4
<i>Ribs</i>	+15	+17	+2	-0	+2	+3	+2	+3	+2
<i>Marinades</i>	+23	+15	-7	+17	+7	-8	+13	+4	-8
Bacon	+0	+1	+1	+1	+1	-0	-1	+0	+1
Beef	-4	-2	+2	-4	-1	+3	-2	+4	+6
Lamb	-17	-16	+1	-12	-10	+2	-8	-3	+5
Poultry	-3	-5	-2	-2	-4	-3	-1	-1	+0
<b>Processed products</b>									
Pork Sausages	+1	-1	-3	+2	+0	-1	+0	+3	+3
Fresh Pre-packed Pork Pies	-2	+6	+8	+4	+7	+3	+2	+5	+2
Fresh Pre-packed Sausage Rolls	-4	-6	-2	-2	-6	-4	-2	+0	+2
Pork Chilled Ready Meals	-8	+4	+13	+7	+7	-0	+13	+9	-4
Pork Sliced Cooked Meats	-1	-2	-1	-3	-3	-0	+1	+2	+1

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

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The United Kingdom pig meat situation and outlook is analysed in more detail in "Pig Market Trends", published monthly. For further information, [click here](#).

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