



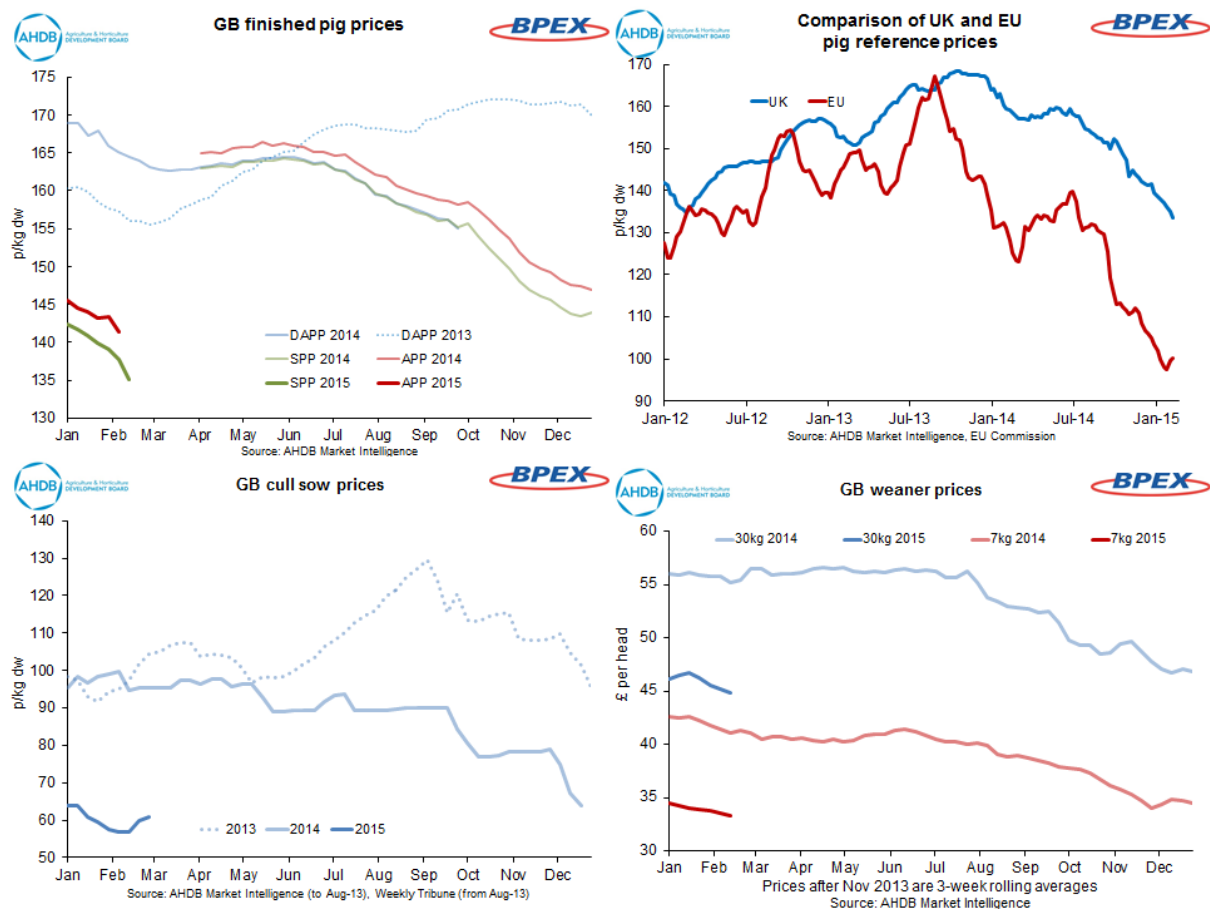
## United Kingdom Pig Meat Market Update

March 2015

### UK PRICES

The start of 2015 has shown a continuation of the downward trend of finished pig prices apparent since the middle of 2014. For January 2015, the EU-spec GB SPP averaged 140.70p per kg, falling 3.28p per kg on the month, the eighth consecutive monthly decrease. The DAPP for January last year was around 27p per kg higher, a similar year-on-year change as for December's prices. Higher throughputs in January, as the festive backlog was cleared, have contributed to the falling prices and demand has reportedly remained lacklustre. Moving into February, the SPP has continued to decrease week on week, standing at 135.06p per kg in the week ending 14 February.

The EU-spec GB APP in January followed a similar trend, falling 3.57p per kg on the month to 144.06p per kg. Again, this has in part been affected by high post-Christmas throughputs, as well as following the downward pressure on price evident to producers throughout the EU. The price differential between the APP and the SPP narrowed in January to 3.36p per kg, the smallest gap since September as the premium market has apparently increasingly come under the same pressures as the standard market.

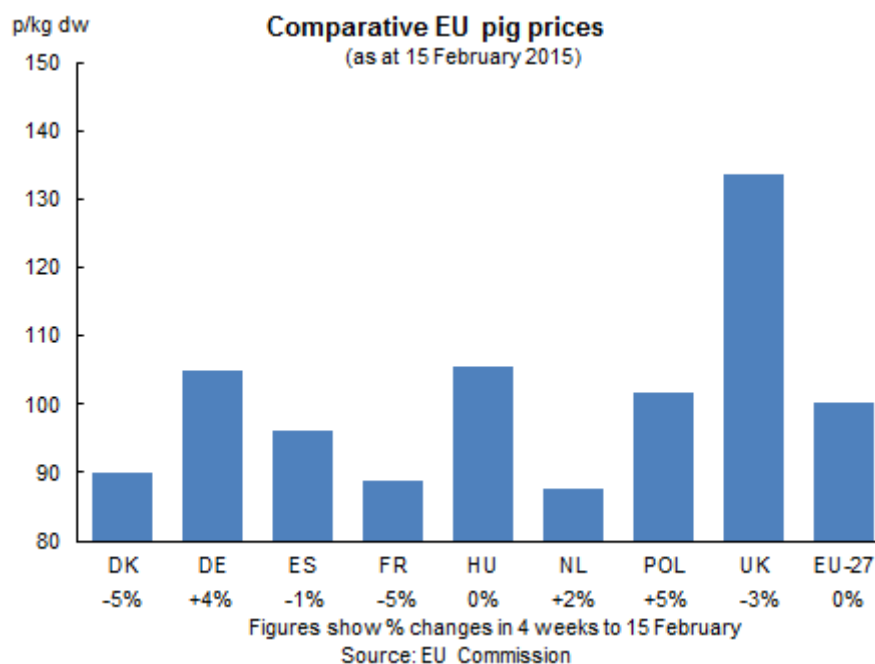


Carcase weights increased from December to January by an average of almost 2kg. At the heaviest since recording began, the SPP-sample average of 83.02kg was 1kg heavier than for the APP sample, the largest difference so far seen between the two categories. Increases in both have been due to a combination of favourable feed costs in addition to some animals having been held back until processing regained momentum after Christmas. The overall average probe measurement was 11.3mm, down 0.1mm on the month but matching the average of the previous six months.

The weaner market was a little more volatile throughout January as uncertainty lingered over the direction of finished pig prices come the spring. 7kg weaners averaged £34.15 a head, the lowest since this price series began. While only 54p down on December, this is over £8 below where prices began 2014. The price of 30kg weaners followed suit, falling to an average of £45.78 per head in January, £10 down on January 2014 and over £1 down on December. However this price is higher than those reported in the second half of 2012, suggesting there is some positivity for finishers.

## EU PRICES

The EU finished pig reference price dropped over €2 per 100kg through January. At week ended 25 January, the price was €129.19 per 100kg, over €30 down on the year. However, in the following three weeks the price increased by around six euros to €135.16 per 100kg, the first rises since the start of August. The normal seasonal trend is for rising prices after a short New Year slowdown and this appears to be the case this year. The recent depreciation of the euro against the pound means the decrease equated to 6p/kg throughout January and the subsequent recovery has added less than 3p. These changes mean the gap between UK and EU prices remains high, at 34p (45 cents).

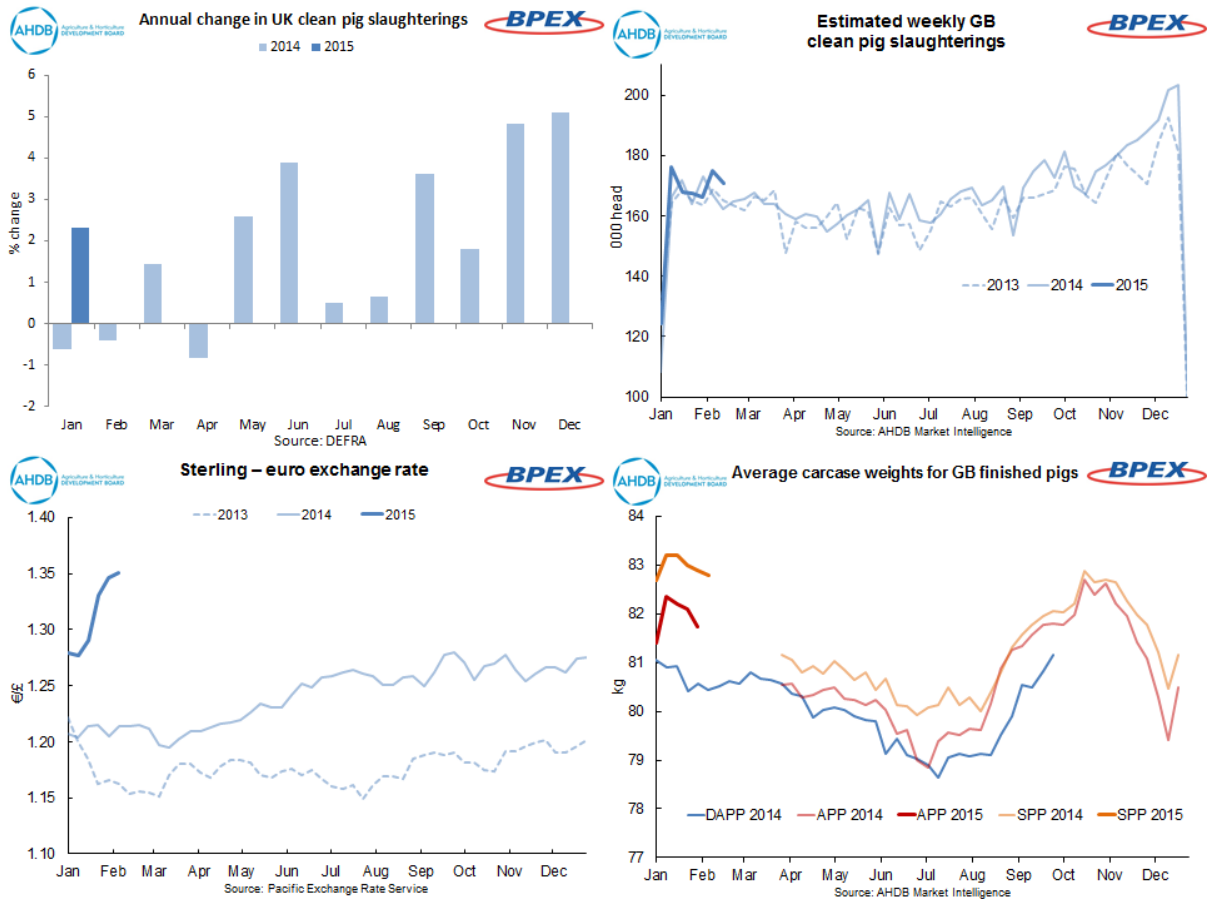


As ever, the larger producers have led the trend in price. Most notably in January, Denmark dropped more than €9 and France by €4. Thereafter, German prices have since increased by €10 in the three weeks to 15 February. Dutch and Polish prices followed suit. French and Danish prices have remained more stable, however, while Spanish ones have been slow to react, although they increased by three euros in the latest week. Despite any recent gains, prices in most major producers were still around €15-25 per 100kg lower than a year before, with Spanish prices €45 lower.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

In January, UK clean pig slaughterings were reportedly down 3% on January 2014, according to latest figures from Defra. However, this was due to a big fall in reported throughputs in Northern Ireland, which appears to be an error. Figures from DARDNI show a 2% rise, which seems to be more likely, given a growing NI herd. This would mean that the UK figure would be up 2% year on year at 962,600 head, as throughputs in England and Wales were also up on the year as the backlog of pigs was cleared post-Christmas. With carcase weights returning to a record average of 82.7kg, overall pig meat production was up 4% on the year, based on the revised NI figures (the published figures show a 2% decrease). At 83,200 tonnes, this is the highest January figure since 2000. With the increased supply reported, finished pig prices have remained under pressure from ample supply. The availability of pigs will need to reduce if the market is to reverse, although tighter supplies are normally apparent in the spring.

Sow and boar slaughterings were down on January 2014, by 6% to 23,200 head but this was an increase on the month as processing returned to a normal schedule. Cull sow prices have been very low, which has limited the willingness of producers to replace sows. However, prices are beginning to show some positivity, which could encourage a higher kill in the coming months.



Throughout 2014, the UK imported more pork, bacon, processed pig meat and sausages than in 2013. However, in spite of the unprecedented gap between UK and EU prices, the rise was modest. Pork imports rose by 2% on the year with prices down 7% on 2013. With an increased share of pork remaining in the EU, as product was diverted from Russia throughout the year, Denmark supplied over a quarter of the total. Belgium, France and Spain also increased their shipments. For Poland trade more than doubled despite potential ASF fears. German and Dutch trade, however, was down on the year.

Denmark was also the main supplier of bacon in 2014, and its trade was up 11% on the year, whereas Dutch shipments dropped by 5%. The average import price was 9% lower. Sausage imports increased the most on the year but still by only 4%, with a notable rise from Ireland. This made it the second largest supplier, while it remained the largest for other processed products, despite a 5% decrease in this category on the year.

Exports of pork in 2014 increased by 5%, although by value trade fell by around £4 million to £214 million. By volume, there was an increase of less than 1% to the EU and market growth was predominantly to Asian markets. China imported 13% more and there was a rise of 7% for Hong Kong. Of the smaller markets there were sharp rises to South Korea and the Philippines and an increase of 5% to the US where import demand has increased because of the PEDv outbreak.

Offal exports were also led by Asian markets, with 35% of the 38,400 tonne total going to China, given a rise of almost 90% in 2014, with a smaller rise to Hong Kong. These two markets now account for 60% of UK offal exports. Shipments to the smaller markets of Japan, South Korea and the Philippines were also up. On the other hand, a fall of 50% in trade with the EU meant that total offal exports were still lower. Exports of sausages were also lower while processed products increased.

## **FEED MARKET**

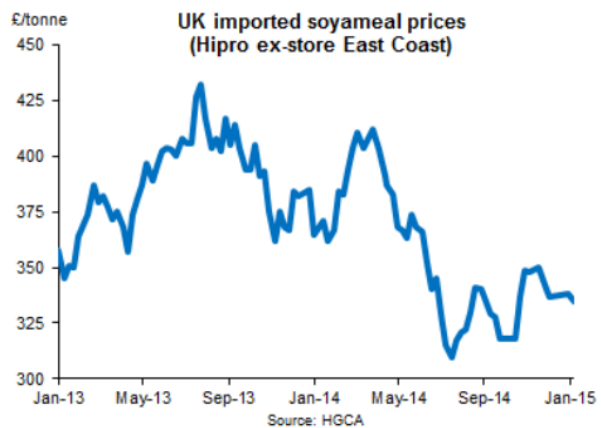
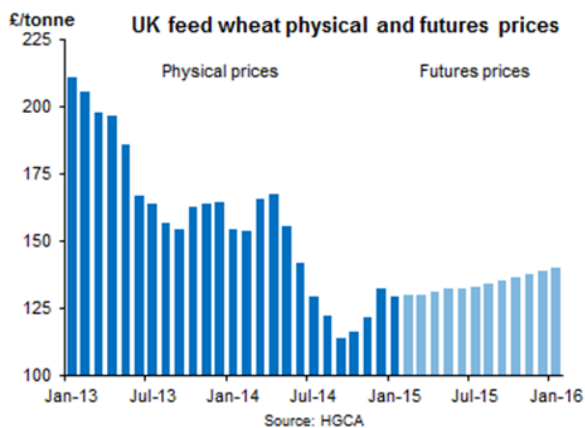
Grain markets have been relatively quiet throughout the last month. After falling sharply towards the end of January, UK feed wheat futures prices have been generally stable during much of February. May-15 UK feed wheat futures closed at £123.00/t on Friday 20 February, up 50p since the beginning of February but down £7.50 compared with 20 January 2015.

The February USDA report contained relatively small changes from the estimates made in January, offering little direction to the markets. Despite small production uplifts for both wheat and maize (by 1.6Mt and 3.2Mt respectively), demand was also upgraded, offsetting to an extent the fundamentally bearish theme of the report.

Defra's latest feed statistics for December revealed a drop in the cereal incorporation rate to 39.7%, the first time it has dropped below 40% in nine months. Between July and December 2014, 1.2% more wheat was used in the production of GB animal feeds than the same period last year, while 1.4% less barley and 1.9% less maize was used.

The latest UK trade data revealed continued strong exports of wheat (167Kt) in December, taking the season to date total to 959Kt. While the data showed strong non-EU exports, cumulative wheat exports continue to be weaker than needed given the size of the UK crop this year. The HMRC data also revealed further the strength of the barley export campaign to date. Between July and December, 743Kt of barley was exported, equating to 36% of the estimated surplus available for either export or free stock this season.

From a new crops perspective, the IGC are forecasting a drop in 2015/16 global wheat production, bringing the potential for a tighter-supplied season than the current one. Also looking ahead, the FAO have described early indications for 2015 crops as 'favourable' and Russian forecasting agency IKAR have described its first projection of the country's grain crop as 'moderately optimistic'. Nevertheless, it should be remembered that there is still a long way to go and spring crops are still to be planted.



News for the oilseeds complex has also been relatively quiet in recent weeks. Market focus is now concentrated on awaiting the outcome of the South American soyabean harvests, which are expected to account for 31% of global oilseed supplies this season.

French rapeseed futures prices have stabilised somewhat in the last couple of weeks, after having experienced a sharp dip and subsequent bounce back at the turn of the month. May-15 Paris rapeseed futures settled at €358.00/t on Friday 20 February, up €4 on the previous month, and an increase of €14.50 compared with 28 January's close.

US soyabean prices are also higher over the month, May-15 Chicago soyabean futures settled at \$368.23/t on Friday (20 Feb), up \$5.33 on the previous month. The weaker euro meant that the upward movement was exaggerated when converted to euro terms, providing some support to European oilseed markets.

In the latest USDA report, the Argentine crop forecast was raised by 1Mt to 56Mt, as a result of improved prospects from favourable weather. Conversely, Brazil's soyabean production was revised downward by 1Mt to 94.5Mt, as a result of the impact of dry weather in the country. Physical rapeseed markets are beginning to resemble 'oilseed poker' – both buyers and sellers are prepared to hold off, expecting to have the winning hand.

UK delivered rapeseed spot prices for Erith delivery were £263.00/t on 20 February, down £3.50 on a month earlier, but up £5 on the 30 January price.

Rapemeal (34%, Ex-mill Erith, January delivery) is currently £187/t (as at 13 February), down by £3 compared with the price at 23 January. Hi-Pro soyameal (Ex-store, East Coast, February delivery), was £315/t on 13 February, down £15 on the end-January price.

Markets continue to absorb the fundamentally bearish conditions of ample EU and international supplies.

## CONSUMPTION

Following a successful Christmas the year before, fresh pork was the only meat category to show a fall in overall volume purchases, down by 2% on Christmas 2013. The latest data, covering the 4 weeks to 4 January, indicate that consumers bought less fresh pork less frequently over the Christmas period. The change to modern eating habits affected the way that pork was consumed during 2014. Roast dinner occasions declined by 5%, which adversely affected sales of roasting joints. Ethnic dish occasions, particularly those from India and Mexico, increased. The growing willingness of consumers to cook and eat international cuisine presents an opportunity for dishes such as pulled pork.

Sausages, bacon and ham all saw small value and volume declines. A detailed examination, though, shows that premium sausages and, in particular, bacon, performed very well at Christmas. Premium bacon volumes were 40% ahead of Christmas 2013 and sales have not dropped off nearly as quickly as in previous years. Consumers of these products have traded up within the category.

Premium sausage sales volume grew by 6% compared with 2013. The growth was driven by discounters and premium retailers who both increased sausage sales ahead of the market. The leading four multiples saw volume and value fall during 2014. Butchers shops had a strong final quarter and, after the big four multiples, are the leading sausage channel by both value and volume.

### Trends in retail meat purchases (period ended 04 January 2015)

	4 weeks 2015/14			12 weeks 2015/14			52 weeks 2015/14		
	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>-0</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>	<b>-3</b>	<b>-0</b>	<b>-2</b>	<b>-0</b>	<b>+1</b>
Pork	-1	-8	-7	-2	-10	-7	-0	-4	-4
<i>Belly</i>	-1	-3	-2	+2	-5	-7	-6	-6	-0
<i>Chops</i>	+7	-4	-11	-6	-11	-6	-2	-5	-3
<i>Steak</i>	-4	-10	-7	-11	-13	-3	-7	-9	-2
<i>Leg Roasting joint</i>	-10	-15	-5	+6	-2	-7	+4	-1	-5
<i>Loin Roasting joint</i>	-10	-18	-8	-15	-22	-8	+4	-2	-5
<i>Shoulder Roasting joint</i>	+11	-7	-16	+10	-3	-12	+8	+0	-7
<i>Ribs</i>	-2	-0	+2	+11	+8	-3	+3	+2	-1
<i>Marinades</i>	+77	+62	-8	+38	+26	-8	+16	+6	-8
Bacon	-3	+2	+5	-2	+1	+3	-1	+0	+1
Beef	+3	+0	-2	-0	+0	+0	-1	+3	+4
Lamb	+0	-1	-1	-8	-8	+0	-8	-4	+5
Poultry	+0	-2	-2	-3	-4	-1	-2	-2	-0
<b>Processed products</b>									
Pork Sausages	+3	+2	-2	+1	-1	-2	+0	+2	+1
Fresh Pre-packed Pork Pies	-0	-0	-0	+1	+3	+1	+3	+4	+1
Fresh Pre-packed Sausage Rolls	+3	-2	-5	+1	-3	-4	-1	-1	-0
Pork Chilled Ready Meals	+22	+20	-2	+12	+12	-0	+6	+11	+5
Pork Sliced Cooked Meats	-2	-2	+1	-1	-2	-1	+0	+1	+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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