# Pig Market Trends

April 2015, Issue 119

## In this Issue

### UK supplies outlook

Latest AHDB forecasts for UK pig meat supplies suggest that production will continue to grow at a similar rate to recent months. With little change anticipated in the balance of trade, this implies that there will be increased supplies available for consumption on the domestic market. Unless demand responds to this increased supply, this suggests that pig prices will remain under pressure. To read more about the forecasts and what they may mean for the UK market, turn to **page 4**.

### APP and SPP

It is now just over a year since two new pig price series, the APP and SPP, were introduced to replace the long-running DAPP. Given that the APP includes premium pigs, it is unsurprising that it is higher than the SPP. However, the gap between them has risen over time. Last April, when the series were first introduced, it was around 2p/kg but has since increased to be closer to 4p/kg. So why has this happened? Analysis of the reasons for the growing gap can be found on **page 5**.

### Global outlook

According to recent forecasts, pork supplies in 2015 are expected to increase in most major global producers, with the exception of China. However, this is a smaller increase in production than was previously forecast. Despite increased production, global trade is expected to fall, with both import and export figures experiencing downwards revisions from previous forecasts. The situation could put further pressure on prices, which have been falling since mid-2014. You can read more about the latest forecasts for the global pig market on **page 7**.

### Private Storage Aid

The current Private Storage Aid (PSA) scheme for EU pig meat came into force on 9 March. So far, the scheme appears to have had little impact on the EU pig market. This contrasts with some previous PSA schemes, although these were implemented in somewhat different market conditions. So why has the impact been less apparent this time round? To find out about some of the factors influencing the situation, turn to **page 8.**

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## Key data

| | Mar-15 | Change since Feb-15 | Change since Mar-14 |
|---|---|---|---|
| Average GB carcase weight - kg | 81.54 | -0.31 | na |
| 30kg weaner price - £/head | 44.87 | -0.33 | -11.06 |
| 7kg weaner price - £/head | 32.98 | -0.53 | -7.56 |
| GB APP (Euro-spec) - p/kg dw | 136.54 | -2.18 | na |
| GB SPP (Euro-spec) - p/kg dw | 132.65 | -2.37 | na |
| EU Reference price - €/100kg dw | 141.13 | +4.11 | -13.00 |
| UK Reference price - €/100kg dw | 180.98 | +0.97 | -8.06 |
| UK weekly clean pig kill - 000 head | 202.5 | -1.4 | +8.0 |
| UK weekly pig meat production - 000 tonnes | 17.3 | -0.3 | +0.9 |
| UK pork imports - 000 tonnes* | 27.8 | -1.1 | +1.7 |
| UK bacon imports - 000 tonnes* | 20.3 | +0.5 | +0.1 |
| UK pork exports - 000 tonnes* | 15.4 | +1.0 | +1.4 |
| Retail pig meat sales - 000 tonnes† | 53.2 | -2.8 | -1.4 |
| LIFFE feed wheat futures - £/tonne | 119.70 | -1.47 | -46.16 |
| CBOT Soyameal futures - $/tonne | 331.54 | -7.98 | -128.12 |

** Figures relate to February 2015*
*† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 28 March 2015*

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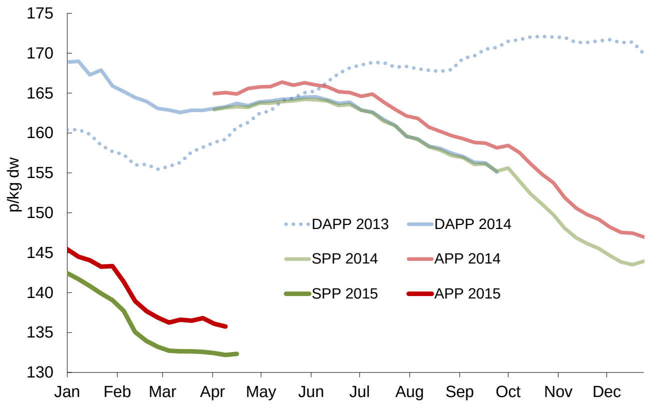
# UK Market Snapshot

March saw further falls to the price of finished pigs, following the trend seen since May 2014, although the rate of decline was much slower. The EU-spec GB SPP averaged 132.65p per kg, 2.37p down on February. This means the SPP was over 30p per kg below the DAPP in March 2014, 1p further behind than in February. Into April, prices have broadly stabilised but this is a time of year when prices normally rise, which may show that the difference between the UK and EU prices is starting to put pressure on demand for UK pork. However, in the week ended 18 April the SPP saw a slight recovery to 132.33p per kg, the first rise since the start of 2015.

The EU-spec APP followed the same trend seen in the SPP in March, falling 2.18p to 136.54p per kg. This further widened the gap between the APP and the SPP to 3.9p per kg. In the week ending 11 April, the APP fell further to 135.75p per kg.

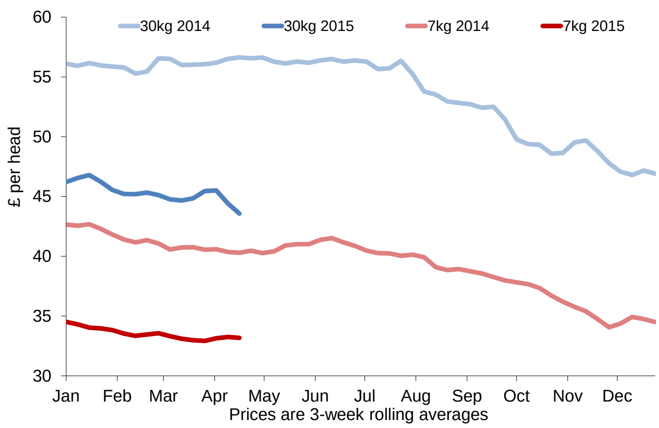
**GB finished pig prices**




*Source: AHDB Market Intelligence*

Carcase weights fell again in March, with the average in the APP sample down 310g to 81.54kg, following the normal seasonal trend for carcase weights at this time of year. However this remains up on the level seen in the DAPP sample in March 2014, although this may be partly due to the change in the sample used. Continuing low prices for feed ingredients are helping to sustain higher carcase weights. Probe depths in March fell to an average 11.1mm, continuing the falling back fat levels seen since November 2014.

**GB weaner prices**

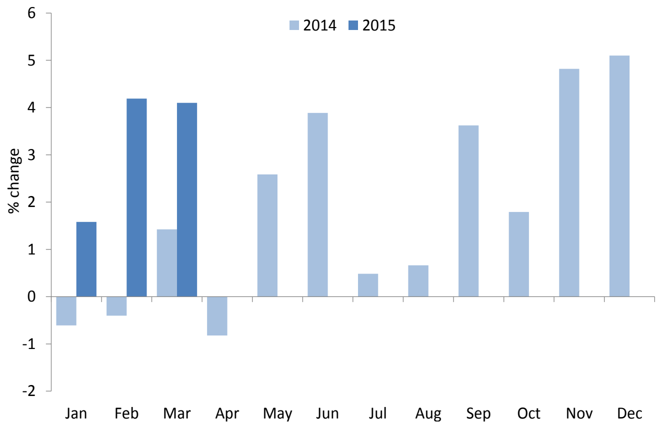



*Source: AHDB Market Intelligence*

In March, the weaner market followed the trends seen in the finished pig market and continued to fall. However, the rate of the fall of weaner prices slowed compared to previous months. 7kg weaners averaged £32.98 per head, just 53p lower than in February and prices began to increase in the first few weeks of April. Similarly, 30kg weaners decreased by 33p to £44.87 a head. Consequently, prices continue to run below 2014 by around £8 and £11 respectively, as low prices for finished pigs lead to reduced demand from finishers.

Latest figures from Defra show that the growth in UK pig meat production continued in March. Total output during the month was 69,300 tonnes, 5% higher than in the same month last year. This marks the seventh straight month during which pig meat production has risen by 3% or more year on year. This growth is one of the key reasons why UK pig prices have been under pressure during this period as consumer demand has been subdued. Despite these price falls putting many producers back in the red, there is still no sign that this is leading to an increase in sow slaughterings. Indeed, the number of adult pigs killed was 1% lower than in March 2014, at 19,500 head.

**Annual change in UK clean pig slaughterings**




*Source: DEFRA*

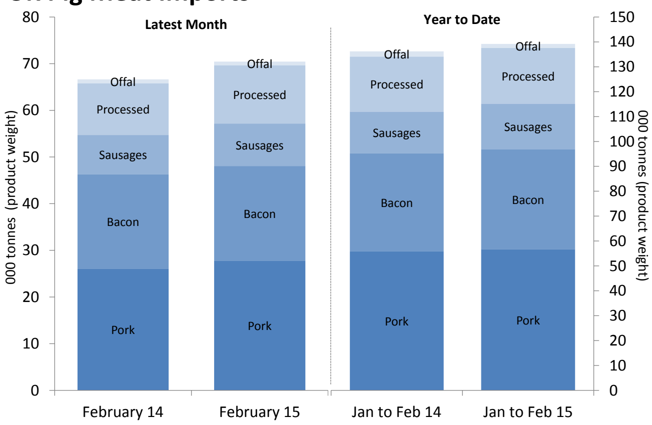
The rise in production was driven by a 4% annual increase in clean pig slaughterings during March, to 810,000 head. This continues the trend of most recent months, as further productivity gains mean there are more pigs available. All parts of the UK recorded increased throughputs during the month, although the rate of growth was slightly slower in Scotland (up 1%) and Northern Ireland (up 2%) than in England. Despite being slightly lower than the previous two months, carcase weights still averaged nearly a kilo heavier than a year before, at 81.8kg. This also contributed to the higher meat production.

In February 2015, according to data from HMRC, the UK imported 7% more pork than the year before, with increased shipments from Denmark, the Netherlands and Belgium, although imports from Germany were lower. This could be the first sign that imports may finally be starting to rise due to the large difference between UK and EU prices and is the biggest year-on-year increase

# UK Market Snapshot

since last April. Denmark remained the largest supplier of pork to the UK, with approximately 25% of the total, while imports from Poland were significantly higher than in February 2014. The unit price of imports was down 16% on the year as a result of ample supplies across the continent, making the total value of imports 11% lower year on year. Bacon imports remained stable compared with the previous year as increased volumes from Denmark, Germany and Ireland offset a fall in shipments from the Netherlands. Imports of processed pork were 13% higher as a result of a surge of imports from Poland, while sausage volumes rose 8%, with gains seen from Germany, the Netherlands, Ireland and Poland.

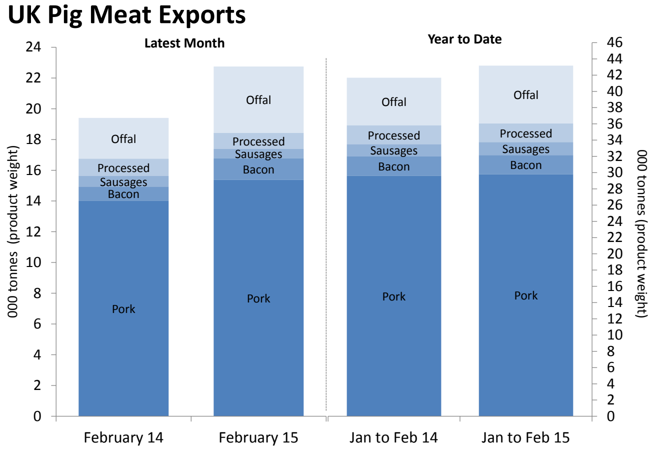
**UK Pig Meat Imports**




*Source: Her Majesty's Revenue & Customs*

High levels of domestic production helped UK pork exports to increase 10%, despite the strength of the pound against the euro. Much of this was due to a rise in shipments to China, which were up by a quarter as the Chinese took advantage of high supplies and low prices of pork from the EU. Exports to the EU were mixed, with sales to Germany, the largest importer of UK pork, falling, while exports to Ireland, the Netherlands and Denmark, presumably largely for re-export, all increased despite the gap between prices in the UK and the EU remaining large. However, a fall in unit prices led the value of UK exports to decline by 8% to £14.7 million. Offal exports to China were also up sharply, with export to Hong Kong also increasing. However, a slight decline in the unit price softened the value of fifth quarter exports.

**UK Pig Meat Exports**

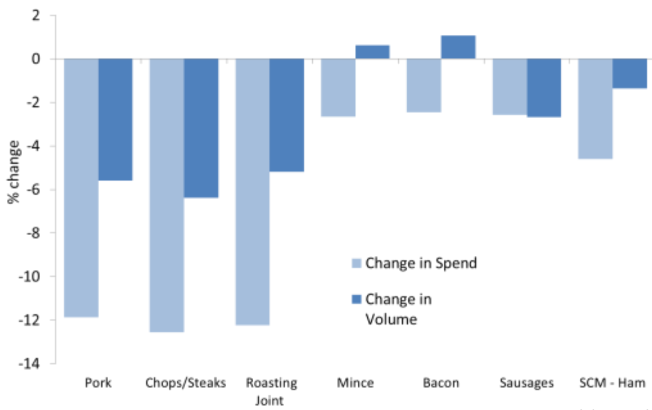



*Source: Her Majesty's Revenue & Customs*

During March, both farmgate pig prices and retail pork prices fell. However, the former dropped more quickly than the latter, meaning that the share of the retail price received by producers fell slightly to 35%. While only slightly lower than the figure for February, this is nearly six percentage points down on a year earlier, as pig prices have fallen 16% while retail prices were only 2% down. The modest fall in retail prices during March did mean that they were at their lowest level in nearly two years.

Pork sales did not show any recovery during March, as highlighted by a 12% decrease in sales value during the 12 weeks ended 29 March, according to latest figures from Kantar Worldpanel. With the exception of pork belly, average prices fell across the board but, despite this, switching to fresh chicken, lamb and beef contributed to fewer buyers of pork during the period compared with a year earlier. The Hard Discounters were the only retailers to record growth in volume terms on the year.

**Annual percentage change in retail pig meat purchases (12 weeks to 29 March 2015)**




*Source: Kantar Worldpanel*

Decreases in overall purchases were driven by falls in pork chop and roasting joint sales. Cuts to base prices failed to drive higher volume sales, with total spending subsequently falling by more than the drop in quantities. Within roasting joints, leg joints were the only category to record an increase in volume sales, with all of the Big 4 retailers increasing the amount sold on promotion over the period.

The picture was slightly better for cured and processed products but the value of sales was still down across the board. Bacon was the only category for which the amount sold was actually higher but lower prices meant that less was spent on bacon than a year earlier. The quantity of sausages and sliced cooked meats sold both fell by 2%, despite prices for these products also being similar to or lower than in the same period last year.

Reports suggest that cull sow prices remain very low at around 60p/kg. At this price, a 150kg sow carcase would be worth around £90. This is similar to the price being paid recently for cull ewes, with carcase weights below 30kg.

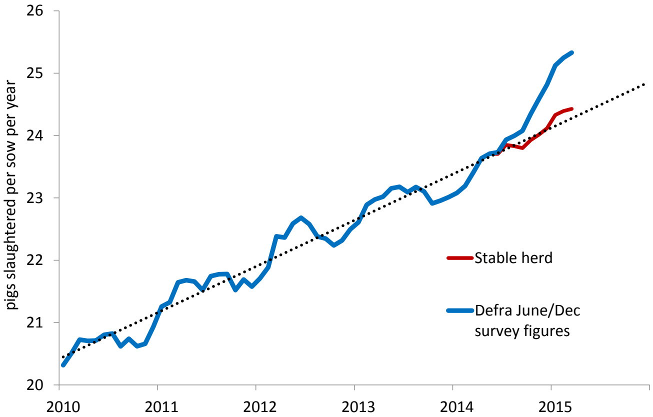
# UK Market Analysis

## Supply growth to continue – more demand needed

Latest [AHDB forecasts for UK pig meat supplies] show that the supply situation which has prevailed over the last year or so is set to continue. Domestic production is expected to increase further and little change is projected for the balance of trade. This is likely to mean that pig prices will remain under pressure unless demand picks up to match the higher supply.

Having been broadly stable in 2013, Defra's June and December surveys suggest that the UK breeding herd declined in 2014. However, higher slaughterings mean that, if the Defra figures are right, there has been a dramatic rise in productivity over the last year. Since there is little other evidence to support this, it seems more likely that the breeding herd is actually more stable than the Defra figures show. The new forecasts, therefore, assume that the breeding herd has been little changed through 2014. This stability is expected to continue in the near future as, despite pig prices having fallen, feed prices are also low, meaning producers are not under severe financial pressure.

**Impact on UK sow herd productivity of assumptions about herd size**




*Source: AHDB Market Intelligence*

With a stable breeding herd, productivity growth is the main driver of production levels. Output per sow has been on a steady upward trend in recent years, due to improvements in areas such as health, genetics, nutrition and husbandry. There is little reason to expect this to change, meaning clean pig slaughterings are forecast to carry on rising around 3% year on year, a similar rate to recent months.

The other factor influencing production levels is carcase weights. These have increased significantly over the last year, helped by low feed prices. Provided feed prices remain low, carcase weights will probably stay high but whether there is further growth will depend on market conditions. The most likely situation is that carcase weights will rise more slowly during 2015 and perhaps stabilise into 2016.

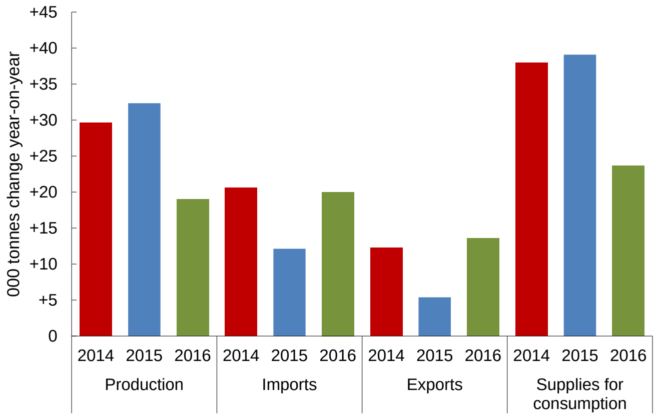
Over the last year, sow slaughterings have been relatively low. This is partly because of the poor prices available, which may mean that some sows are being retained for longer. This can only continue for a while without affecting litter sizes, so throughputs are expected to gradually return to more normal levels. If they don't, it could start to reduce the productivity of the breeding herd. This has the potential to slow overall production growth in due course, although it is unlikely that this will become apparent until well into 2016.

Since mid-2013, the gap between UK and EU prices has remained well above 20p/kg and at times reached almost 40p. Despite this unprecedented situation, UK imports in 2014 were only slightly higher than the previous year and by the second half of the year there was no growth at all. This supports the view that pork buyers remain committed to sourcing UK pig meat. If that situation doesn't change, it seems unlikely that imports will rise significantly in 2015.

However, there is likely to be increasing pressure on buyers if the UK price premium doesn't reduce as the year progresses. This could lead to imports being higher than currently forecast, increasing supply levels further. Although there may be some tightening of EU supplies later in the year, as a result of the current difficult financial position of producers, prices on the continent are forecast to remain subdued. Therefore, UK prices may need to fall further if the price gap is to return to a more normal level of around 10p/kg.

UK export growth has slowed in recent months, not helped by the weakness of the euro against the pound. This looks set to continue to be a factor for the remainder of 2015, with only modest export growth expected as a result. Any expansion is likely to be focused on non-EU markets, where the pound-euro exchange rate is less influential. However, competition on these markets will be tougher this year, as prices in other major exporters are much lower than in 2014.

**Actual and forecast trends in UK pig meat supplies**




*Sources: Defra, HMRC, AHDB Market Intelligence*

Taking all these factors into account, it is clear that pig meat supplies are set to be plentiful for the rest of this year and beyond. This will mean an increase in demand is needed if prices are not going to remain under pressure. So far, there has been little sign of it, with retail sales below year earlier levels in early 2015. This suggests that the UK pig market may remain challenging for the rest of the year.

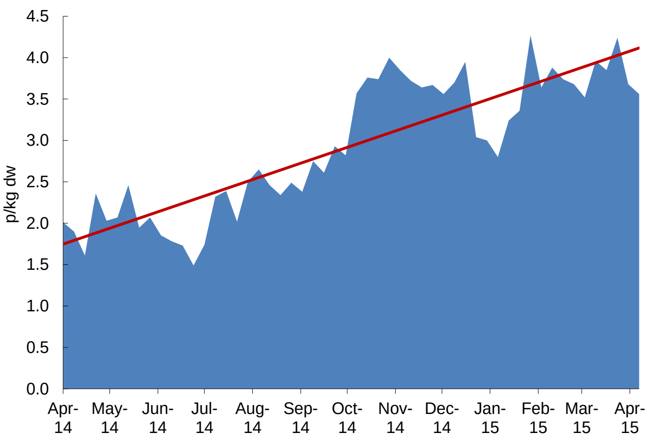
# UK Market Analysis

## Why is the gap between APP and SPP growing?

It is now just over a year since two new pig price series were introduced to replace the long-running DAPP. Like the DAPP, the APP provides an average price for all GB pigs slaughtered during the week but, unlike the DAPP, prices are collected from the sellers of pigs. While the APP covers all pigs, the SPP excludes those for which a premium is paid based on the production system or breed which they come from. The SPP is collected from processors, as was the case with the DAPP, with all of the major GB slaughterhouses supplying prices.

Given that the APP includes premium pigs, it is unsurprising that it is higher than the SPP. Analysis of the data behind the two series confirms that they are largely consistent with one another. Therefore, the gap between the two prices accurately reflects the influence of including premium pigs on the average price. The size of that gap has risen over time. Last April, when the series were first introduced, it was around 2p/kg. However, since the turn of the year, the gap has often been closer to 4p/kg. So why has this happened?

**Gap between GB APP and GB SPP (EU-specification)**




*Source: AHDB Market Intelligence*

There are two likely explanations for the gap increasing, although they are not mutually exclusive. First, the proportion of premium pigs could have risen. If this was the case, they would have a bigger influence on the APP, which would increase while the SPP would be unchanged. Secondly, the difference between the average price of 'standard' pigs and the average price of premium pigs could have grown.

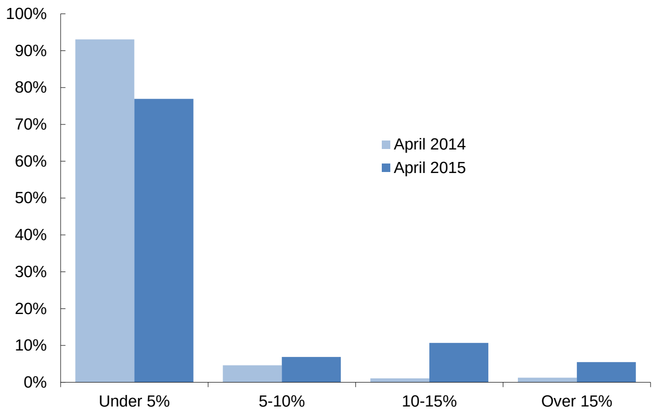
To test if the proportion of premium pigs has risen over time, we can look at the proportion of total GB pig slaughterings included in the SPP sample. In the first three months of the SPP, it covered 51% of the GB kill. In early 2015, the share had fallen slightly to 50%. That suggests there may have been a modest increase in the share of pigs attracting a premium. However, the shift would be too small to account for much of the observed increase in the gap between APP and SPP.

Therefore, it seems that the main reason for the increased price gap is that premium pigs are now attracting a higher price relative to standard pigs. In part, this is probably an indication that the premiums being paid have increased.

However, industry reports also suggest that the range of prices paid for standard pigs has been increasing. This is partly because spot market prices, which are more exposed to the wider EU market, have reportedly experienced bigger falls than contract prices. In addition, with many contracts having previously been linked to the DAPP, there is now reported to be a wider range of pricing mechanisms in use.

Analysis of data from the SPP sample confirms that there now appears to be a greater spread of prices being paid. In the first week of the SPP in April 2014, less than one in ten pigs sold were at a price more than 5% from the average and very few were more than 10% above or below the SPP. By April 2015, the distribution of prices was different, with a wider spread around the SPP. Nearly a quarter of pigs sold at prices more than 5% from the average, with around one in six receiving prices at least 10% away from the SPP.

**Proportion of pigs in SPP sample at different distances from SPP**




*Source: AHDB Market Intelligence*

This shift in the distribution of standard pig prices will have contributed to the increase in the gap between them and the average price for premium pigs. Although there have no doubt been some changes to contract terms for premium pigs, these don't appear to have had as much impact on average prices as those for standard pigs.

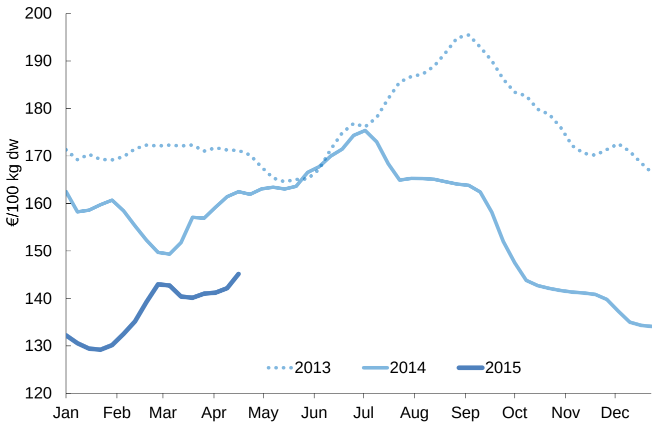
One final factor has also had a small part to play in the gap between APP and SPP expanding. Since the start of this year, the difference between average carcase weights in the SPP and APP samples has grown. During 2014, the difference averaged around 500g, although it did rise for a period over the summer. Since the start of 2015, the gap has averaged over 1kg. This suggests that there have been more standard pigs at the heavy end of the scale and some will have fallen outside contract specifications and attracted lower prices.

Although only modest, the increase in the gap between the APP and SPP clearly results from some important changes in the GB pig market. It will be interesting to monitor how it develops from now on and what it tells us about the market.

# EU Market Snapshot

In March, the EU average pig reference price showed some marginal falls. In the week ended 30 March the average price reported to the EU Commission was €141 per 100 kg, down by over €1.50 on the level at the beginning of March. However, this was up marginally on the previous week but due to the strength of the pound this was still equivalent to a fall in sterling terms. The slight fall led the gap between prices in 2014 and 2015 to grow to over €18 per 100 kg. However, this is still smaller than the €30 difference seen at the start of 2015. So far in April, prices have recovered slightly, with the price at by the week ended 19 April up to €145 per 100kg, almost €4 higher than at the end of March.

**EU Average Pig Reference Price**



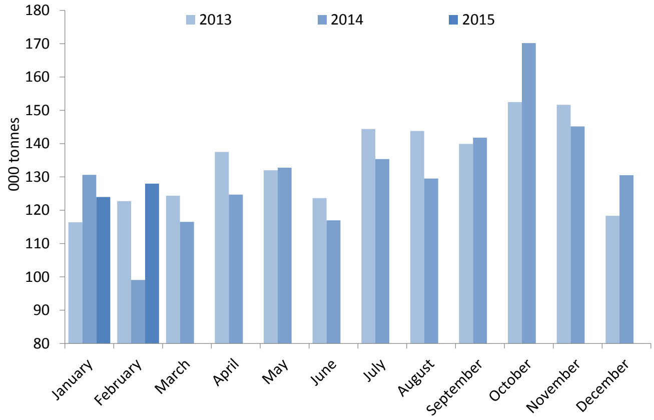

*Source: EU Commission*

The fall in prices seen in March was driven by a €5 per 100kg fall in the price of German finished pigs, with prices in the Netherlands and Belgium also recording falls of over €5. However prices in France, Italy, Ireland and Spain all rose by over €1 per 100kg.

In February, the EU exported 128,000 tonnes of pig meat, 29% higher than February 2014, the month immediately after the Russian ban on EU imports was imposed. This figure was also up on February 2013, showing EU volumes are back above levels seen before the Russian export ban. Shipments from the EU to China grew by half on levels seen a year ago, reaching 29,700 tonnes, while volumes going to South Korea and the United States rose at a similar rate and those to Australia more than doubled. However, the amount exported to Japan fell 12% to 21,800 tonnes, as the Japanese industry continues to recover from PEDv.

The average unit value of shipments was up 1% compared to a year earlier in euro terms (but was 16% lower in US dollar terms). This led to the total value of exports from the EU increasing to €294 million, up 30% on February 2014. The increase in February more than offset January's decline in shipments, so the total volume of pig meat exported from the EU in the first two months of the year was up 10% year on year.

**EU monthly pork exports**

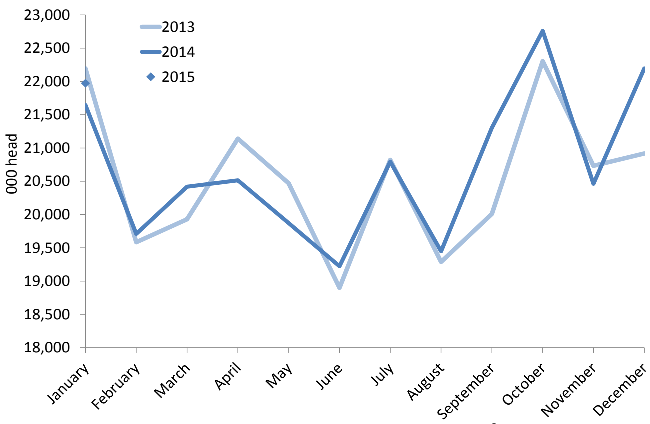



*Source: Eurostat, GTIS*

EU offal exports also increased in February, up 14% at 88,200 tonnes. China again took over half of the offal shipped from the EU but exports to Hong Kong fell, while volumes to the Philippines and Korea continue to rise. Unit prices of offal exported also increased in euro terms in February, up 2%, leading the total value of shipments to grow 17% to €99 million. Cured and processed exports were down, by 7% and 17% respectively, with the US and Japan remaining the major markets for these products.

In January 22.0 million pigs were slaughtered in the EU according to data from Eurostat. This was 2% up on the level seen in January 2014 despite there being one working day fewer, leaving the underlying trend up 6%. However this was down 1% from the previous month when there were the same number of working days. Despite the number of pigs being lower compared to the previous month, higher carcase weights have led to total pig meat production in January being up 2% on the month at 2.0 million tonnes, also 2% up compared to the previous January. Data for the whole of 2014 shows an increase in slaughtering of 1% year on year, reaching 248 million head, which resulted in a 1% increase in production for the year at 22 million tonnes.

**EU pig slaughtering trends**




*Source: Eurostat*

Early figures for February show a further rise in slaughterings during the month. Given that pig prices rose in February, this suggests some improvement in demand. However, several leading producing countries have not yet provided data.

# Global Market Analysis

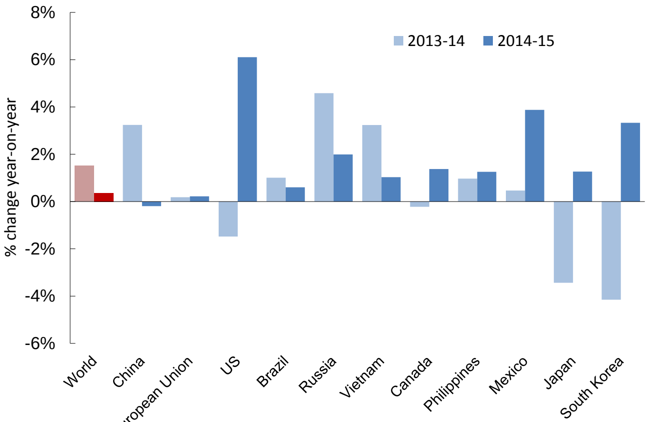
## Recovering global pork supplies in 2015

According to recent forecasts, pork supplies in 2015 are expected to increase in most major producers, with the exception of China. However, this is a smaller increase in production than was previously forecast. Despite increased production, global trade is expected to fall, with both import and export figures experiencing downwards revisions from previous forecasts. This situation should put further pressure on prices, which have been falling since mid-2014.

In its latest global outlook report, the US Department of Agriculture (USDA) forecasts that pig meat output in the major producing countries will increase by less than 1% this year, to 110.9 million tonnes. This is a significantly lower growth rate than has been experienced in recent years, mainly due to a fall in production expected from China.

As was reported in 2014, widespread culling of Chinese sows, as a result of poor profitability of pig production in China, led to a sharp contraction of the breeding herd. This is expected to be the driver of falling production in 2015. Despite Chinese demand in 2015 being forecast to be weak due to China's slower economic growth and the anti-corruption campaign currently taking place in the country, imports are still forecast to grow 5% in 2015 to offset some of the fall in production.

**Global pork production forecasts, 2015/2014**




*Source: USDA*

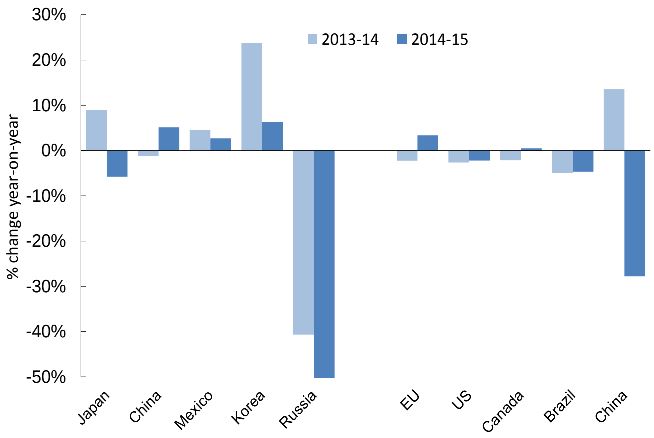
Elsewhere, the USDA report forecasts a strong production recovery in the US as the industry has been less affected by the PEDv outbreak than previously feared. With strong prices experienced in 2014, many producers have invested in expanding their herds. USDA expects production in the EU to expand only marginally following an expansion of the herd experienced in the second half of 2014, although recent EU Commission forecasts suggest slightly stronger growth.

Production is also forecast to increase in most other major producers in 2015 as many constraints experienced in 2014 are overcome. Production in Mexico, Japan and South Korea is expected to recover from outbreaks of PEDv experienced in 2014. Russian production is set to expand to cover some of the fall in imports as a result of the trade sanctions it imposed on the US and the EU in 2014.

Despite the expected growth in supplies of pork in 2015, the USDA report also forecasts a fall of 5% in global trade, driven by lower exports from China, the US and Brazil. This is despite an increase in EU exports due to higher levels of production and prices falling to become more competitive on a global scale, helped by the weak euro. China will export less pork as a result of its tightening supply, while the US will experience increasing competition for international markets from the EU. The strength of the dollar is keeping prices for US pork high, despite falling domestic prices. Japan is expected to import less pork in 2015 as its domestic industry recovers from an outbreak of PEDv in 2014, with stock levels high and consumer demand weak.

Imports to Russia are expected to fall even further in 2015 as a result of the current economic trouble being faced and the sanctions imposed on other major producers, as well as an increase in domestic production.

**Global pork trade forecasts, 2015/2014**




*Source: USDA*

With production in many key producers set to increase and exports expected to fall, there should be more pork available for consumption in many major producers, including China, the US, Brazil and Vietnam. However, consumption is forecast to fall in the EU, as a result of increased exports, and Russia and Japan due to a fall in imports.

The increasing levels of supply and the subdued demand can be seen to have had an effect on the average global export price, with prices falling since October 2014 and averaging US$2.70 per kg in February, the lowest level seen since March 2010.

As a result of increasing production and subdued export demand, global pork prices in 2015 are expected to remain at low levels. However, some commentators are suggesting that we are now reaching a low point for prices and they may start to slowly improve for the rest of the year.

# Global Market Analysis

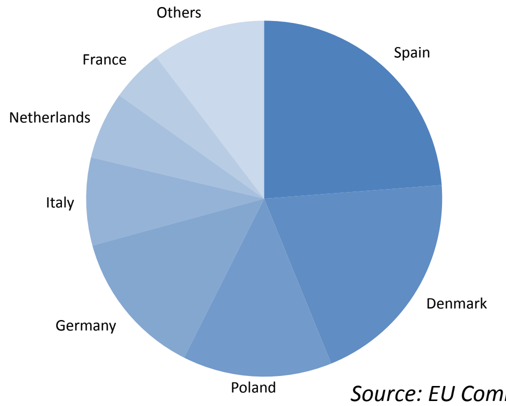
## EU Private Storage Aid having limited impact

The current Private Storage Aid (PSA) scheme for EU pig meat came into force on 9 March. So far, the scheme appears to have had little impact on the EU pig market. This contrasts with some previous PSA schemes, although these were implemented in somewhat different market conditions.

By mid-April, requests for PSA had reached over 50,000 tonnes but new applications were down to around 5,000 tonnes each week. To put this into context, EU production during March and April 2014 totalled around 3.6 million tonnes. Even allowing for some extra applications in the remainder of April, the quantity covered by the scheme therefore represents only around 2% of production. Perhaps more significantly, the total in storage is equivalent to about 20% of EU exports in March-April 2014.

Over 60% of the stored product is boned legs, with a further 20% made up of boned bellies or middles, with most stored for the minimum period of 90 days. The main countries involved are Spain, Denmark, Germany and Poland, with over 70% of applications between them. All are major exporters, which suggests that the PSA scheme is mainly being used for product intended for export, which will be released in the summer, when export demand is usually somewhat better.

**Applications for EU PSA for pig meat by Member State, 9 March – 10 April 2015**

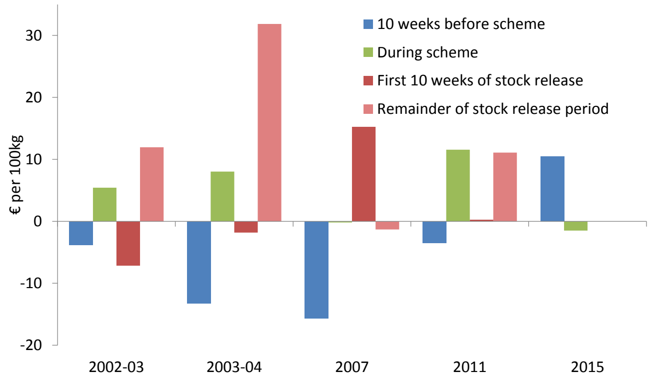



*Source: EU Commission*

So what impact has the PSA scheme had on the EU pig market? Having reached a near 8-year low in January, prices had actually started to recover before the scheme opened. The average price in the week ended 8 March, just before the scheme started, was just under €143 per 100kg, over €13 above the low point. Since then, prices have stabilised, actually falling back in the early weeks of the PSA scheme but since recovering somewhat. This doesn't suggest that the introduction of PSA has had much impact on the market.

To understand why this is, it is worth looking at previous periods of aid for private storage. There have been four previous PSA schemes for pig meat since the turn of the century, in 2002-03, 2003-04, 2007 and 2011. The volumes entered into each of these schemes were higher than in the current one, at between 100,000 and 150,000 tonnes. In all four cases, pig prices were falling in the weeks before the schemes came into effect, unlike the current case. During the period when the schemes were open, prices stabilised and in most cases started to rise again. Again, this has not been the case during the current scheme, so far at least.

**Movements of EU average pig price before, during & after PSA periods**




*Source: EU Commission*

In most cases, the price gains were temporarily reversed, at least in part, when product started to be released from storage, increasing supply levels on the market. However, this was typically relatively short-lived with all four previous schemes recording higher prices by the end of the release period than at the start of it.

So why has the impact been less apparent this time round? In most previous cases, PSA schemes were introduced to deal with temporary disruptions, which were expected to be resolved within the storage period. In some cases this related to trade tariffs, in others to health issues. In these cases, there was a clear expectation that market conditions would be better by the time product was released from storage.

The present scheme was brought in due to persistent low pig prices following the Russian import ban. However, there appears to be little prospect that the ban will be lifted, or even eased, during the storage period. Therefore, barring some seasonal improvement, market conditions may not have improved when product is released. This has limited the volumes stored, which have been only around half of those in previous schemes. Rates of aid are also reported to barely cover costs and so are providing little financial incentive to store product. In addition, the products included are not the ones most affected by the Russian ban, limiting the benefit of removing excess supply from the market.

With product due to be released from storage from June, there is a possibility of some disruption to the market in that period. However, with the volumes relatively small and probably intended for export anyway, the impact may again be limited. Therefore, the EU market will probably continue to be driven by the fundamental supply & demand balance, with much depending on export market developments.

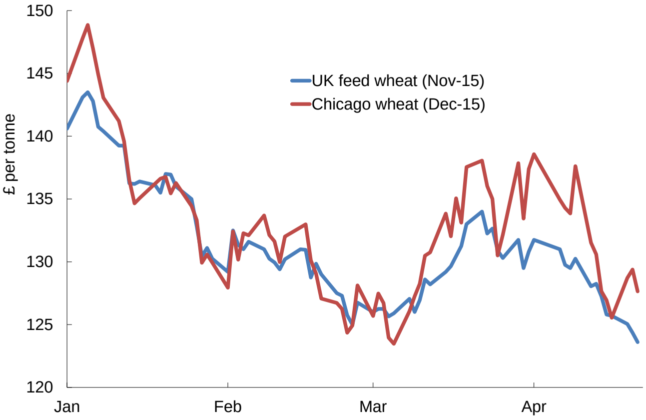
# Feed Market

## Feed Market Update

Grain markets returned to a downward trend in April. Initially fuelled by larger than expected quarterly stocks in the US, the downward trend has persisted due to generally favourable weather conditions (to date) for crops for harvest in 2015/16.

On 21 April, UK feed wheat futures for November 2015 closed at £123.60/t, a drop of £7.40 since the start of the month and the contract's lowest price since September. New crop Chicago maize futures (Dec-15) also recorded declines, falling just over $5 between 2 and 22 April to close at $156.50/t, while Chicago wheat futures (Dec-15) fell nearly $13 to $192.33/t.

**New crop wheat futures**




*Source: AHDB/HGCA*

The USDA quarterly stocks report released 31 March gave further confirmation of the ample US maize supply situation, a cornerstone of the global feed grain market. US maize stocks were the highest for 1 March since 1987, at 197Mt. US wheat stocks as at 1 March 2015 were 30.6Mt. Furthermore, the change in wheat stocks between 1 December and 1 March was the smallest since 2008/09 – reflecting the sluggish pace of US wheat exports so far this season, not helped by the strength of the US dollar.

After a period of dryness, showers and storms recently hit some key US winter wheat growing regions improving soil moisture and creating more favourable conditions for the growing crop. This resulted in a stabilisation in US wheat condition scores after declines in the previous week. Nevertheless, crop conditions are still reported to be generally better than last year.

With a long way still to go until harvest, markets can be expected to continue to react to changing weather conditions. Perhaps the next key milestone is the release of the first global supply and demand projections for 2015/16 by the USDA on 12 May. While these forecasts will be highly tentative, they are often treated as a benchmark to which future forecasts are compared.

US soyabean prices have varied over the past month but latest prices are lower than a month earlier. On 22 April, May-15 Chicago soyabean futures closed at $356.56/t, just over $7 lower than at the start of April but still $8 higher than a recent low on 13 April. Chicago soyameal futures followed a similar trend. In the UK, Brazilian soyameal (48%, ex-store Liverpool) was reported at £317/t on Friday 17 April, down £7 since 27 March and more than £25 lower than in late January.

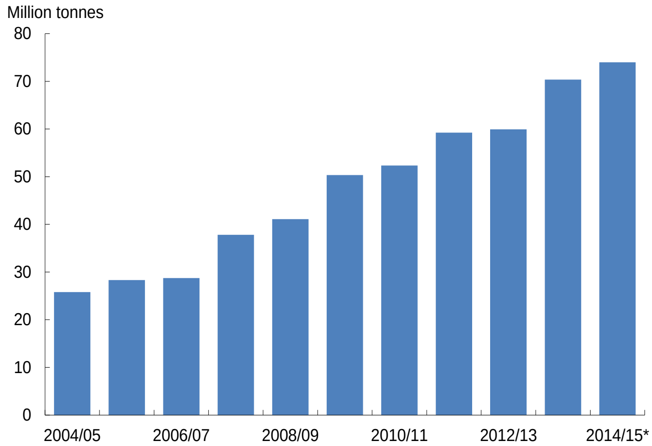
The key theme for oilseed markets over the past month has been growing confidence in South American soyabean supplies as harvest advances, partially countered by reports of robust demand. Yield reports continue to be positive, with further upgrades to production estimates in both Brazil and Argentina, already forecast at new records.

Conversely, US soyabean stocks as at 1 March indicated stronger than anticipated demand over the winter (1 Dec-1 Mar). This was followed by data showing that in March, US firms crushed 4.4Mt of soyabeans, the fourth largest monthly amount on record.

However, in the past week or so, concerns have resurfaced over the potential impact of the current outbreak of avian influenza in the US. Should the outbreak reduce demand for US poultry products, it could in turn reduce domestic US demand for soyameal, and thus soyabeans.

Early indications suggest that the area planted to soyabeans in China could drop by up to 15% in 2015, potentially leading to a boost in the level of imports. A lower area in 2015 would mean a sixth straight drop in the nationwide soyabean acreage, and consequently a likely drop in domestic production, with land expected to shift to maize and rice. Currently China alone accounts for 65% of world soyabean imports and a drop in domestic production could lead to a rise in imports, thus lending support to global soyabean and other oilseed prices next season.

**Chinese soyabean imports**




** Estimate* *Source: USDA*

# In Brief

**US pig herd largely recovered from PEDv**

Latest figures from USDA show that the country's pig herd on 1 March was 7% larger than a year earlier. Last March, the PEDv outbreak was close to its peak but the extent of the recovery is emphasised by the 2015 figure being above that for March 2013. Breeding pig numbers were up 2% on the year. The report also confirms that producer intentions were somewhat less positive than a few months earlier. This reflects the sharp fall in US hog prices, which means that producer margins are reported to be back in the red, after a bumper year in 2014.

**EU pig meat consumption stabilises as production rises**

Based on the balance of production and trade, supplies of pig meat for consumption in the EU increased slightly in 2014. Per capita consumption was estimated to be 40kg, marginally higher than in 2013, as production was slightly higher and exports lower. This was the first increase in three years but is still over 3kg per person below the level before the recession. With demand still subdued, pork prices and, hence, pig prices inevitably had to fall significantly last year to generate sufficient sales to match the increased supplies available.

**Quarterly Consumer Category Report out now**

The latest edition of AHDB's quarterly Consumer Category Report for pig meat has recently been published. The report has been completely redesigned and now contains even more information about the retail performance of the main pig meat categories in the 12 weeks up to the 1 February. It also covers wider consumer trends and recent developments in the pig market. There is also information about the upcoming pulled pork campaign. To read the report, click here.

**Global meat prices follow other food prices down**

The latest FAO food price index, covering March, fell for the fifth consecutive month. The overall index was down almost 19% from a year earlier. Prices have been falling as a result of large global supplies of most commodities used in the index. The FAO Meat Price Index in March was down 1% from its February value and 17% below the peak level in August 2014. The fall was caused principally by lower pig meat and poultry quotations but prices for ovine meat also fell. Bovine meat quotations were largely unchanged, with global supplies remaining tight.

**Trade between EU countries increases in 2014**

More than three times as much pork is traded between EU Member States as is shipped to third countries, amounting to well over 5 million tonnes each year. Given slightly higher production and reduced exports to non-EU markets, there was an increase in the amount of pork traded between EU countries during 2014, albeit only by 2%. Over 80% of the total originated from the six leading exporters, Germany, Spain, Denmark, the Netherlands, France and Belgium, with Ireland the only other EU country which was a net exporter to the rest of the EU.

**EU share of Philippines market up in 2014**

The Philippines has emerged as an increasingly important export market for pork and pig offal, with volumes more than doubling since 2009. Pork import volumes fell 1% in 2014 but remained well above the level in 2012. Despite the overall fall in volumes, there was a 56% increase in imports from the EU, at the expense of the US and Canada. Imports of pig offal increased over 60% during the year. The EU again saw large growth in its exports to the Philippines, as volumes more than doubled, with many Member States, including the UK, benefitting.

**More Dutch pork exported in 2014 at lower prices**

After a poorer second half of the year, the Netherlands exported 2% more pork in 2014 but at a 3% lower value. There was a shift in trading partners, as 1% less pork went to the EU, although it still accounted for nearly 80% of the total. Sales to Asian markets rose, as nearly twice as much went to Japan, 62% more to South Korea and 54% more to Australia. Live exports performed less well, down 21% on the year to 8.4 million head. A 5% increase in pig meat production reduced the need to export pigs for slaughter. The export of weaners to Germany for finishing was also down by 16% on 2013.

**Brazilian exports start 2015 lower**

In the first three months of 2015, Brazil exported 18% less pork than last year. This came despite it being one of the few major exporters which still had access to the Russian market. The economic problems in Russia, driven by the depreciating rouble and low oil prices, meant that its willingness to pay inflated prices diminished. As a result, Brazil actually sent slightly less pork to Russia than in January-March 2014. Brazil's export troubles weren't confined to Russia, with shipments to the rest of the world down by 27% year on year.

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