

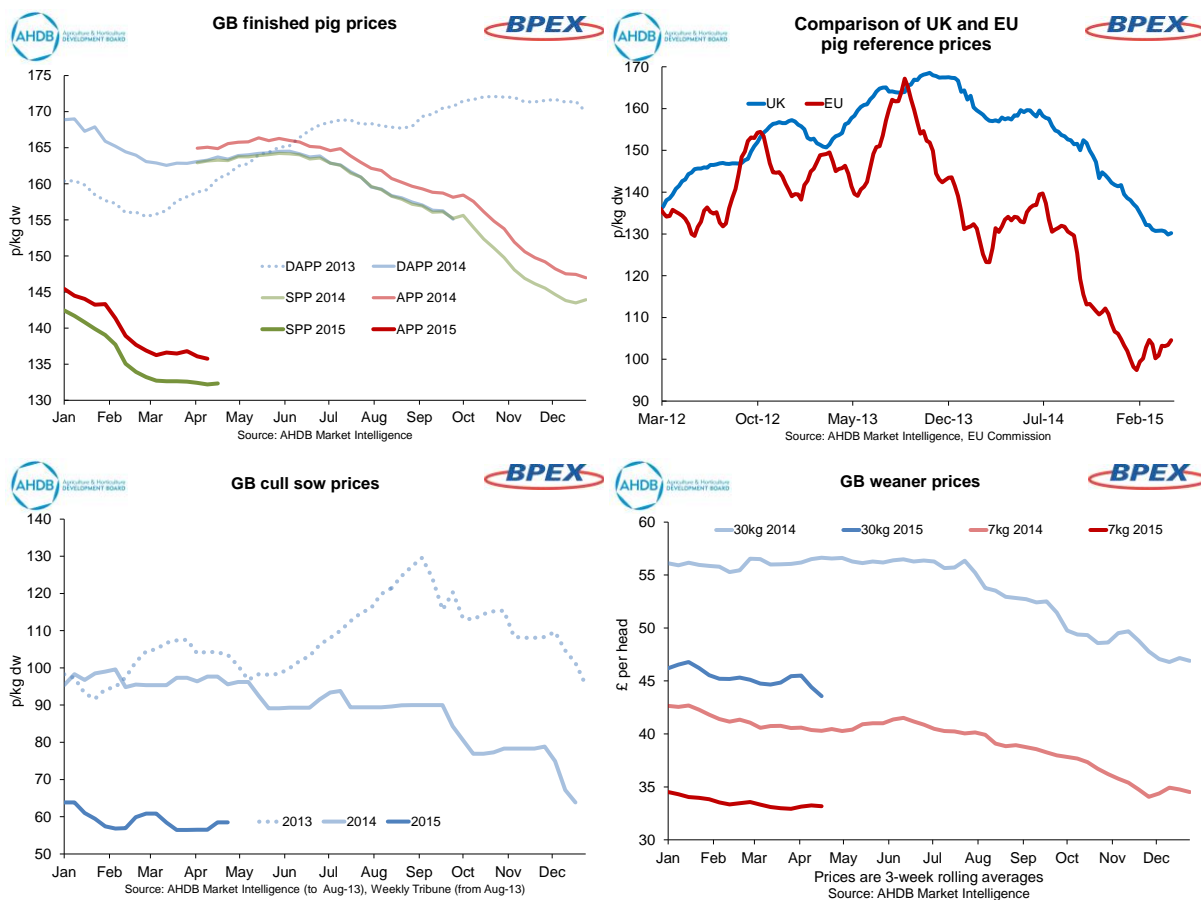
United Kingdom Pig Meat Market Update

May 2015

UK PRICES

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.



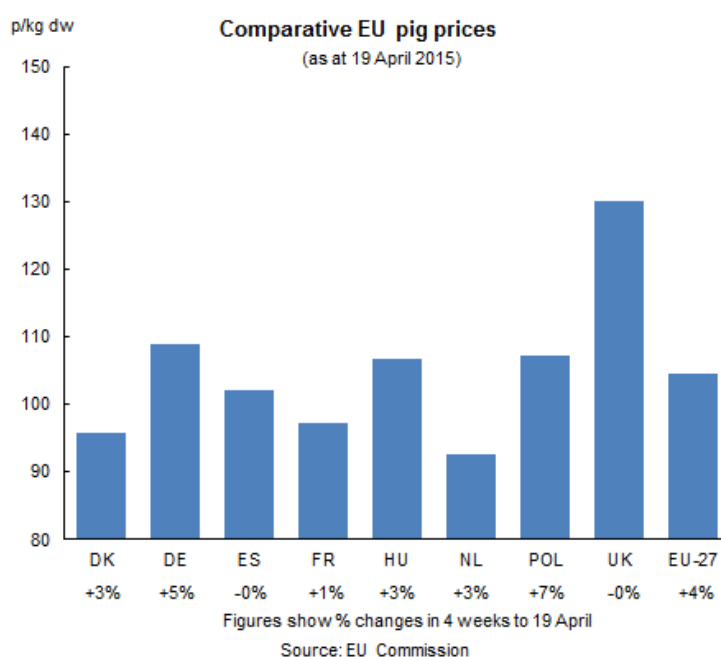
Carcase weights fell again in March, with the average in the APP sample down 310g to 81.54kg, following the normal seasonal trend for carcase weights at this time of year. However this remains up on the level seen in the DAPP sample in March 2014, although this may be partly due to the

change in the sample used. Continuing low prices for feed ingredients are helping to sustain higher carcass weights. Probe depths in March fell to an average 11.1mm, continuing the falling back fat levels seen since November 2014.

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.

EU PRICES

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.



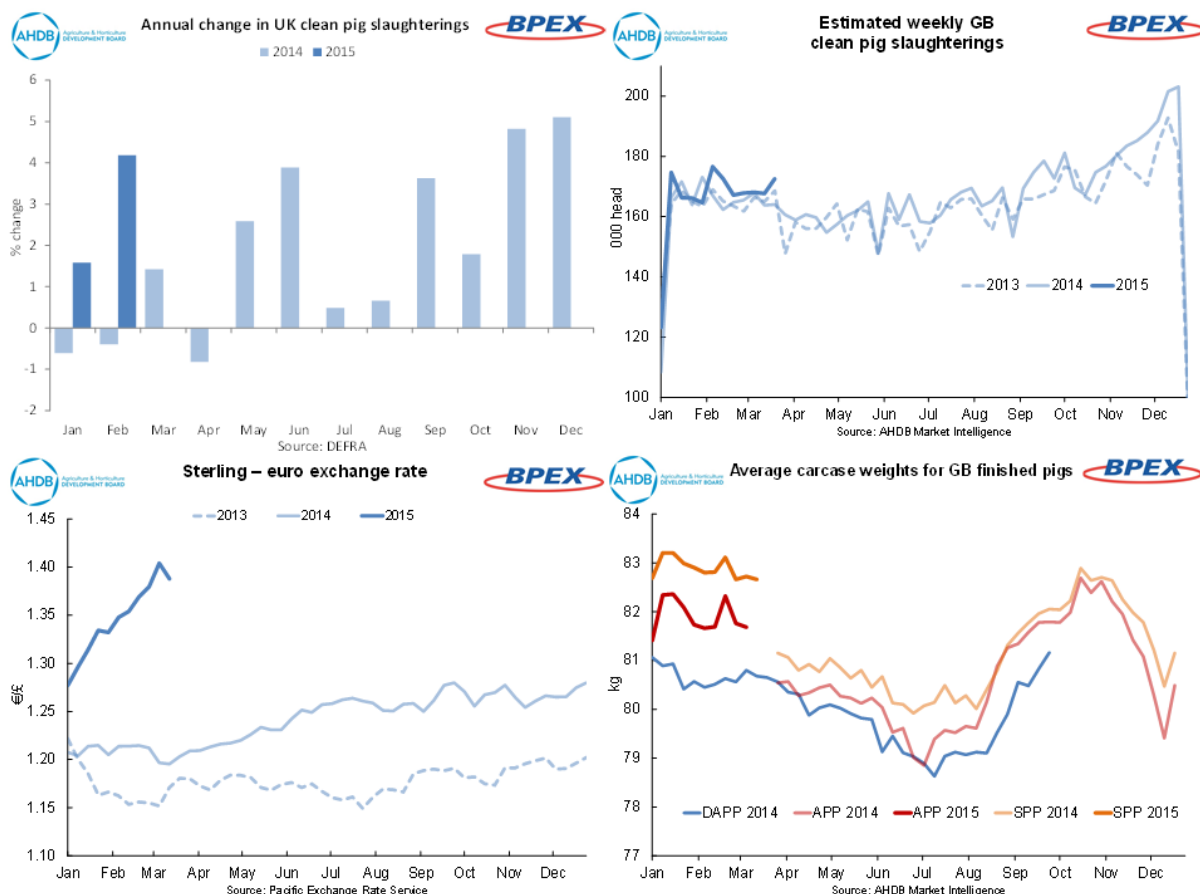
The fall in prices seen in March was driven by a €5 per 100kg fall in the price of German finished pigs, with prices in the Netherlands and Belgium also recording falls of over €5. However prices in France, Italy, Ireland and Spain all rose by over €1 per 100kg.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

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 slaughtering. Indeed, the number of adult pigs killed was 1% lower than in March 2014, at 19,500 head.

The rise in production was driven by a 4% annual increase in clean pig slaughtering 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, carcass 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 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.

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.

FEED MARKET

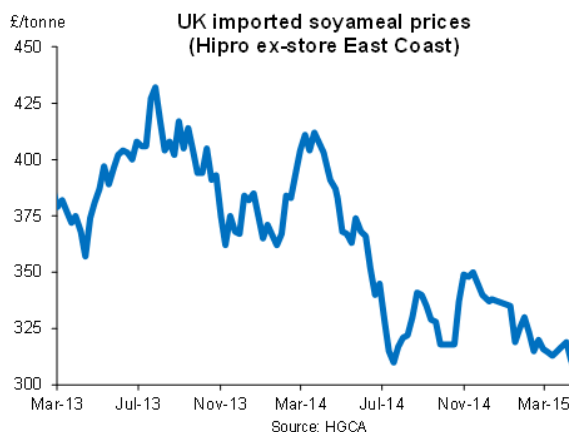
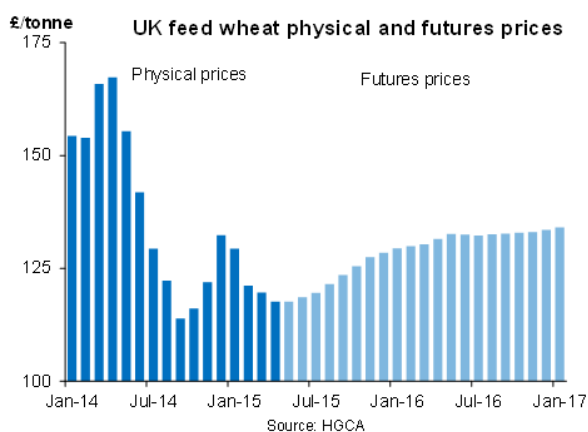
Grain markets returned to a downward trend in April. Initially fuelled by larger than expected quarterly stocks in the US, the downward trend has persisted due to generally favourable weather conditions (to date) for crops for harvest in 2015/16.

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.

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 but 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.

CONSUMPTION

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.

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.

Trends in retail meat purchases (period ended 29 March 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									
Fresh and Frozen Meat, Poultry and Bacon	+3	+0	-3	+0	-2	-3	-0	-1	-0
Pork	-7	-14	-8	-6	-12	-7	-1	-6	-5
<i>Belly</i>	-12	-12	-0	-12	-11	+1	-4	-5	-1
<i>Chops/Steaks</i>	-14	-17	-4	-6	-13	-7	-6	-10	-4
<i>Leg Roasting Joint</i>	+26	+10	-12	+15	-1	-14	+10	+3	-7
<i>Loin Roasting joint</i>	-37	-40	-4	-19	-20	-1	-4	-8	-4
<i>Shoulder Roasting joint</i>	+11	-1	-11	-5	-14	-9	+4	-6	-10
<i>Marinades</i>	+4	+9	+4	+4	+2	-1	-1	-6	-5
<i>Ribs</i>	-25	-16	+11	+3	+2	-1	+1	-0	-1
<i>Mince</i>	+9	+1	-8	+1	-3	-3	+14	+14	-0
Bacon	+2	-3	-4	+2	-2	-4	+1	+1	-0
Beef	+3	+3	+0	+2	+2	-0	+1	+3	+2
Lamb	+69	+32	-22	+11	+2	-9	+3	+1	-2
Poultry	+2	-2	-4	+1	-3	-4	+1	-1	-2
Processed products									
Pork Sausages	-1	-2	-0	-2	-3	-0	-0	-0	-0
Fresh Pre-packed Pork Pies	+5	+5	-0	-1	+1	+2	+2	+3	+1
Fresh Pre-packed Sausage Rolls	+0	-6	-6	+0	-3	-4	-1	-3	-2
Pork Sliced Cooked Meats	-4	-5	-1	-2	-4	-2	-1	-1	+0
Pork Chilled Ready Meals	+10	+6	-4	+10	+7	-3	+7	+10	+3

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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