

Pig Market Trends

May 2015, Issue 120

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Beef and Lamb

The last year has been a challenging one for pig producers, with prices falling steadily. However, the pig sector is not the only one experiencing a subdued market. Prices for most agricultural commodities are low and this is certainly true of the cattle and sheep markets. To find out more, read our latest update on the situation on **page 4**.

Poultry

One of the big challenges faced by red meat producers is the continuing reliance of UK consumers on poultry meat, in particular chicken. So how did the UK poultry industry fair in 2014? Many of the answers can be found in the Pig and Poultry Pocketbook, released by AHDB this month. The article on **page 5** analyses some of the key information contained in the Pocketbook.

Germany

German pig prices have been low so far this year. The Russian import ban is one contributory factor, along with subdued consumer demand across the EU and an increase in production. The situation might have been even worse were it not for strong sales to Asian markets, helped by the weak euro. Nevertheless, most producers have been in the red since last summer and there are signs this could lead to tighter supplies from the end of this year. Read more about the latest situation on **page 7**.

China

With around half the world's pigs, developments in China have a big impact on global trends. While much of the world was experiencing high pig prices and low input costs during 2014, the reverse was true in China. This led to a sharp fall in the breeding herd and is projected to mean lower production this year. While slower economic growth may limit demand to some extent, there will inevitably be greater export opportunities as a result. Our analysis of the Chinese market can be found on **page 8**.

Easter

In the run up to the Easter weekend, lamb and beef sales recorded growth but this was offset by slight declines in chicken and significant reductions in pork sales. For more on retail sales at Easter turn to **page 10**.

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Key data

	Apr-15	Change since Mar-15	Change since Apr-14
Average GB carcass weight - kg	80.90	-0.64	+0.46
30kg weaner price - £/head	44.60	-0.27	-12.11
7kg weaner price - £/head	33.16	+0.18	-7.33
GB APP (Euro-spec) - p/kg dw	136.02	-0.52	-29.23
GB SPP (Euro-spec) - p/kg dw	132.07	-0.58	-31.19
EU Reference price - €/100kg dw	144.03	+2.90	-17.48
UK Reference price - €/100kg dw	179.77	-1.07	-11.27
UK weekly clean pig kill - 000 head	193.8	-9.2	+6.3
UK weekly pig meat production - 000 tonnes	16.5	-0.9	+0.7
UK pork imports - 000 tonnes*	30.6	+2.3	+1.0
UK bacon imports - 000 tonnes*	20.5	+0.2	-1.8
UK pork exports - 000 tonnes*	15.9	+0.5	-2.2
Retail pig meat sales - 000 tonnes†	53.7	+0.5	-2.4
LIFFE feed wheat futures - £/tonne	116.52	-3.18	-50.80
CBOT Soyameal futures - \$/tonne	317.25	-14.29	-166.65

* Figures relate to March 2015

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 25 April 2015

Interested in data? Get more detail about these and other areas from the [BPEX website](http://www.bpex.org.uk)

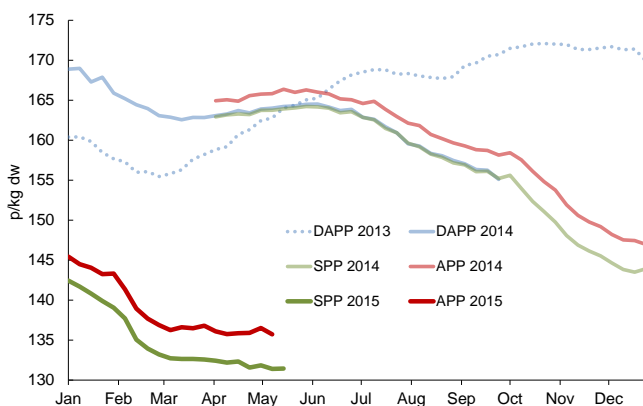
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UK Market Snapshot

Pig prices have remained broadly stable over the last two months, although given that they would normally be rising seasonally at this time of year, this doesn't necessarily indicate a turning point for the market. The EU-spec GB APP averaged 136.02p/kg in April, less than a penny down on the previous month but 29p lower than in April 2015. The average price fluctuated during the month but without any clear trend. The gap between EU and UK prices has narrowed somewhat but still remains at around 25p/kg, very high by historical standards. This is contributing to the subdued domestic prices, along with relatively plentiful supplies. With little having changed in early May, the APP stood at 135.72p/kg for week ended 9 May.

The SPP followed a similar trend to the APP, although the gap between them rose further. The April average EU-spec SPP of 132.07p/kg was 31p down on a year earlier but less than a penny lower than in March. Further slight falls in early May took the SPP to 131.44p/kg for week ended 16 May.

GB finished pig prices

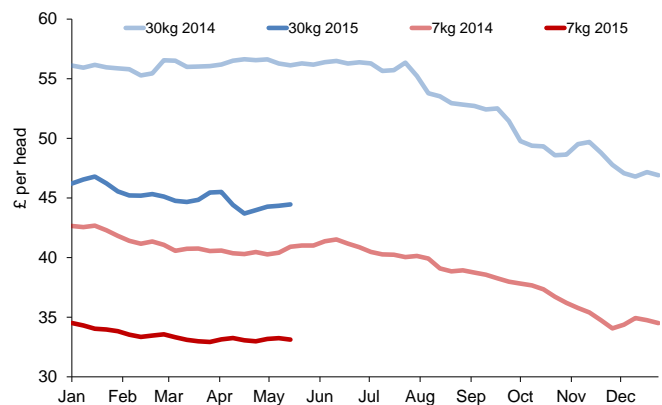


Source: AHDB Market Intelligence

Carcase weights remained high in April and early May, although they fell seasonally. The average weight in the APP sample in April was 80.9kg, half a kilo heavier than in April 2014. There was an even bigger year-on-year increase in the average carcase weight from the SPP sample, which was well over a kilo heavier. This suggests that standard pig weights have risen further than for premium pigs, possibly contributing to the growing gap between the two price series.

The stabilisation of the finished pig market was also apparent in weaner prices. The average price for 7kg weaners in April was actually slightly higher than in March, at £33.16 per head. 30kg weaners were slightly cheaper at £44.60 per head but the fall was only 27p compared with March. However, the extent of price falls over the last year meant that the 7kg price was over £7 lower than in April 2014 and the 30kg price was down by £12. In early May, prices were broadly stable and stood at £33.04 and £44.60 respectively in week ended 16 May.

GB weaner prices

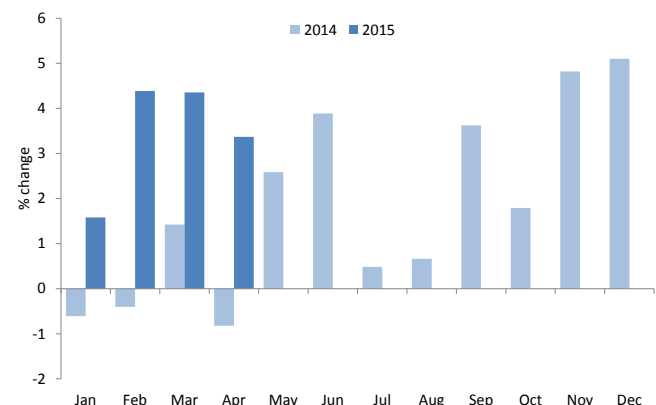


Prices are 3-week rolling averages

Source: AHDB Market Intelligence

Latest figures from Defra confirm that UK pig supplies remained high during April. Slaughterings were up over 3% compared with a year earlier, to 969,000 head. Throughputs have now been up year on year for 12 consecutive months, with nearly 300,000 extra pigs processed during that period. Slaughterings in Northern Ireland were up by 4%, slightly more than in England, but figures for Scotland are not yet available. Carcase weights during the month were at their lightest since August, averaging 81.6kg. However, with falling weights normal for the time of year, this was still over a kilo heavier than in April 2014.

Annual change in UK clean pig slaughterings



Source: DEFRA

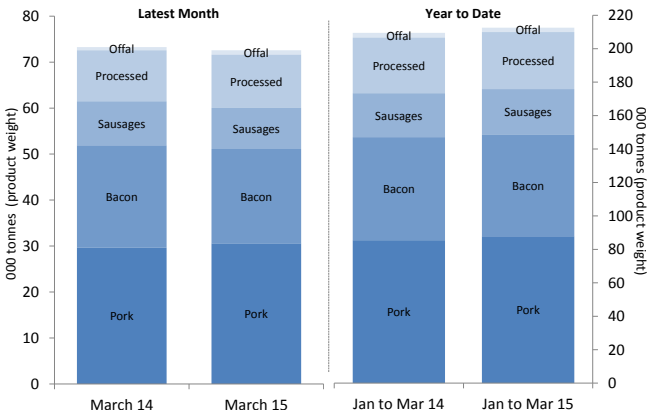
In contrast, sow slaughterings continue to run below year earlier levels, declining for the 11th straight month. At 22,700 head, they were 6% down on last April. Once again there is little indication that the drop in pig prices is leading to producers reducing or liquidating their herds. If anything, low cull prices are continuing to discourage producers from replacing some sows. The fall in sow meat production was insufficient to offset the higher clean pig numbers and weights and pig meat production during April was up 4% on the year at 82,400 tonnes.

According to the latest data from HMRC, UK pork imports in March 2015 increased 3% compared to the level seen a year before. Higher volumes were reported from Denmark, Belgium and Spain, while imports from Poland remained well up on last year. However,

UK Market Snapshot

shipments from Germany, the Netherlands and Ireland all fell. This is the second monthly rise in imports, suggesting the price difference between the UK and the rest of Europe was large enough to tempt some buyers. This has helped imports to the UK in the first quarter of 2015 increase by 3%. Continuing high supplies of pork in the EU and the weak euro led to the unit price being 10% lower during the quarter, compared to 2014, which resulted in the total value of UK imports falling 7% year on year.

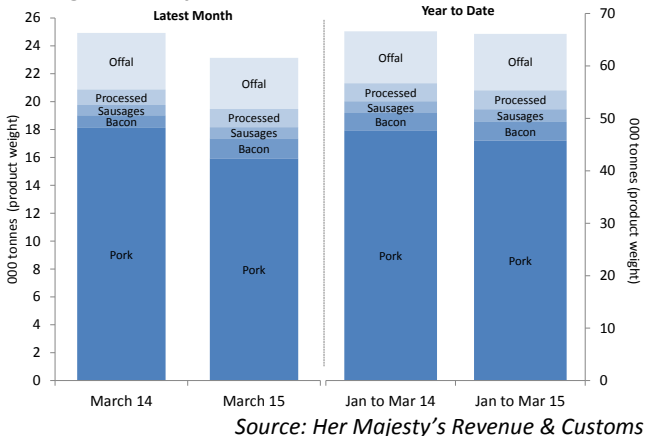
UK Pig Meat Imports



In contrast, imports of bacon were down by 8% in March, with lower shipments seen from Denmark, the Netherlands and Ireland, although purchases from Germany and Spain actually increased. Processed pork imports were up 4% on the year as a result of higher shipments from Ireland and Poland, while the volume of sausages imported fell 7% driven by lower volumes from Germany.

Following increases in February, UK pork exports fell 12% in March, partly due to the strength of the pound making UK products less competitive on global markets. Volumes going to all major buyers fell, with the sharpest drop being to China, down 27%, making it only the second largest market for UK pork. Exports to Germany also fell but by a more moderate 8%, so it overtook China as the largest destination for UK pork in March. Exports to Denmark, Ireland, the Netherlands and Hong Kong also dropped. This meant export volumes from the UK in the first three months of the year were down 4% compared with the same period in 2014.

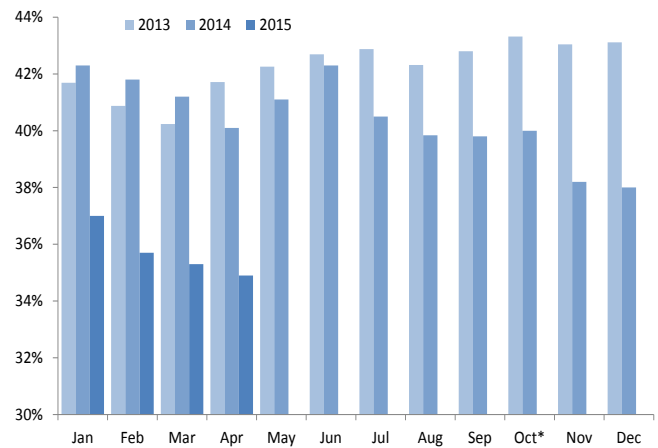
UK Pig Meat Exports



The average unit price of shipments in March fell 11%, reducing the total value of UK pork exports to £15.5 million, 22% down year on year. Offal exports were also down, as increased shipments to China were not enough to offset falls to Hong Kong and EU markets.

During April, the farmgate pig price and retail pork prices diverged, with farmgate prices falling while retail ones increased. This led to the share of the retail price being received by farmers falling marginally to just below 35%. This was only a small fall on the month but the producer share was over five points lower than in April 2014 as pig prices have fallen 17%, while retail prices have only dropped by 2%. This makes the share of the retail price being received by the farmer the smallest in at least six years.

Percentage of pork retail price received by producers



The rise in retail prices during April was due to higher prices for minced pork (up 8%), traditional pork sausages (2%), diced pork (1%) and boneless leg (1%). The only monitored cut to record falling prices was pork shoulder, down 1%, with all other cuts remaining stable. Compared to a year earlier, pork mince and loin chops were the only monitored cuts to increase in price, up 1% and 2% respectively. All other cuts were cheaper, with boneless leg (down 10%), diced pork and loin steaks (7%) showing the largest falls.

There was a wide variation in the economic performance of pig producers in England in 2013/14, according to analysis of Defra's Farm Business Survey. Even though it was a good year overall, with higher pig prices and low feed costs, 15% of pig farms had a negative Management and Investment Income (MII) and 21% had a negative Farm Business income (FBI). The top quarter of farms had an average MII of nearly £200,000 while the bottom quarter averaged a loss of over £35,000. The proportion of loss-making pig producers was actually somewhat lower than the previous year but it is clear that many specialist pig farms experienced a sustained period of losses. In 2012/13, 50% of farms recorded a negative MII, with 23% experiencing a negative FBI total.

UK Market Analysis

The state of the UK poultry industry

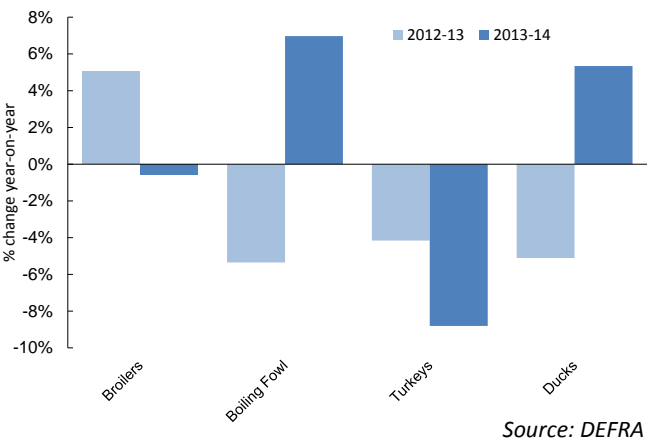
One of the big challenges faced by red meat producers is the continuing reliance of UK consumers on poultry meat, in particular chicken. So how did the UK poultry industry fair in 2014? Many of the answers can be found in the Pig and Poultry Pocketbook, released by AHDB this month. The following article analyses some of the key information contained in the Pocketbook.

In 2014, UK production of poultry meat decreased for the first time since 2009, while chicken production was lower, after six consecutive annual increases. UK poultry meat production fell 1% to 1.64 million tonnes during the year but this was still nearly twice as high as pig meat.

The majority of poultry meat in the UK comes in the form of broiler chicken meat, which accounts for 84% of production. Broiler chicken production also fell by 1% in 2014, to 1.38 million tonnes. This follows a large 5% increase in 2013 when, as with other meats, retailers increased their commitment to domestic produce in the wake of the horse meat scandal. The decline in 2014 came as the result of a number of factors, including a 1% reduction of chick placements on farms. Placements fell to 937 million chicks as hatcheries reduced output due to a fall in demand at the end of 2013. Hatcheries also voluntarily phased out the use of certain antibiotics which led mortality amongst the breeding flock to increase. This reduced the size of the breeding flock and, therefore, chick output.

Turkey production accounts for 10% of the UK poultry meat production, the second largest share. Production of turkeys has been falling in the UK for two years, with production in 2014 down 9%. This follows a 4% decline in the number of poults placed. Production of boiling fowl (spent layers and parent stock) increased in 2014, up 7% as a result of an increase in size of the UK laying flock. Following a fall in 2013, UK duck production increased by 5%.

Annual change in UK poultry production

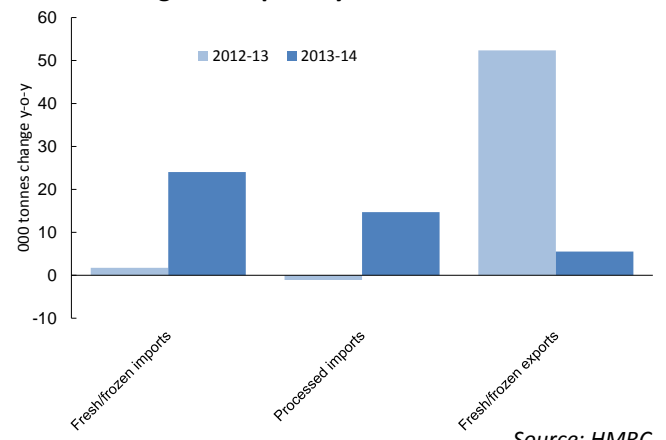


With production falling in 2014, imports of fresh and frozen poultry meat to the UK grew to 408,000 tonnes,

up 6% compared to a year earlier. The Netherlands remained the largest supplier of poultry meat to the UK but its shipments remained stable. Most of the increases came from Poland and Ireland, with shipments increasing 8% and 38% respectively. These increases follow significantly higher levels of production in both countries in 2014.

Imports of processed poultry products also increased last year but the gains were smaller at 5%. Most of the rise came from the top two suppliers, Thailand and Brazil, with imports up 7% and 39% respectively. However, imports from the EU fell 1%. This led to total poultry meat imports to the UK being 6% higher than in 2013 at 770,000 tonnes.

Annual change in UK poultry meat trade



Exports of fresh and frozen poultry meat from the UK also increased in 2014, although by much less than the previous year. They were up 2% at 348,000 tonnes, due to an increase in shipments to markets outside the EU. Exports to other EU countries actually fell by 3%, although they still accounted for nearly 70% of the total. Among the key growth markets outside the EU were South Africa, Hong Kong and Benin. However, shipments to South Africa have been on hold since November after an outbreak of Avian Influenza in Yorkshire.

The increase in imports offset the fall in production and higher exports, leading to supplies available for consumption in the UK increasing 1% in 2015 to 2.1 million tonnes. With higher supplies available, the average wholesale price of a broiler in the UK, reported by DEFRA, fell 5% in 2014. However, Kantar Worldpanel reports that retail prices for fresh and frozen poultry meat were little changed from the previous year, with consumer purchases falling for the second year in a row.

2015 has got off to a good start for the UK poultry industry, with promotions from retailers leading to higher demand, which has encouraged producers to increase output. Both placements and slaughterings in the first quarter have been higher year on year, with broiler chick placements up 3% at 241 million chicks, while slaughterings have increased by 1% to 226 million head.

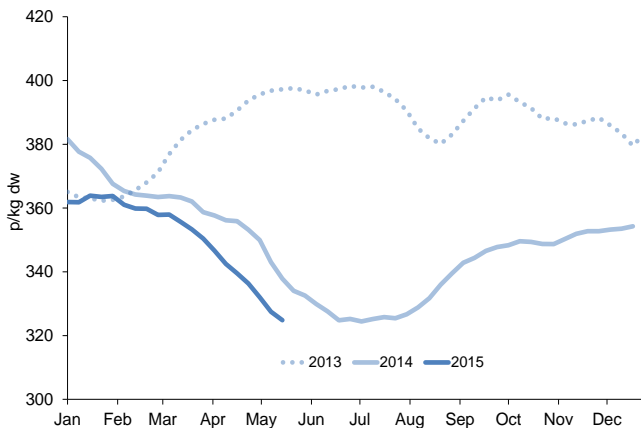
UK Market Analysis

It's not just pigs – cattle and sheep markets subdued too

The last year has been a challenging one for pig producers, with prices falling steadily. However, the pig sector is not the only one experiencing a subdued market. Prices for most agricultural commodities are low and this is certainly true of the cattle and sheep markets. Although there may be signs that the situation could improve for the former, the latter looks to be set for more difficult times ahead.

During the first half of last year, GB cattle prices fell rapidly, albeit from historically high levels. This was driven by an increase in cattle supplies in the UK and also in Ireland, the main supplier of beef imports to the UK market. The price decline led to a beef summit taking place last summer to discuss ways of improving the situation for producers.

GB all prime cattle deadweight prices



Source: AHDB Market Intelligence

Prices did pick up in the autumn but this year they have fallen again. By mid-May they had reached a similar level to last year's low-point. The difference this time is that supplies are tightening on both sides of the Irish Sea. This suggests that the recent falls are demand, rather than supply, driven. In part, this is because of exchange rates, which have made UK exports, which are mostly of commodity manufacturing beef, less competitive, reducing both volumes and prices. It has also made the UK a more attractive market for exporters from the rest of the EU.

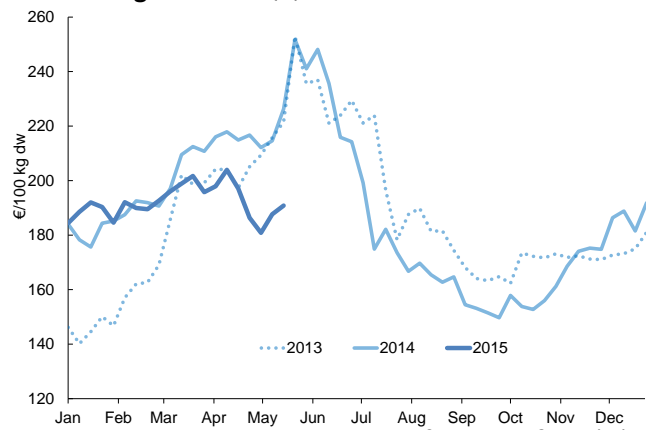
On top of international trade developments, the UK consumer market appears to be becoming more challenging. Beef sales held up relatively well for most of the last 12 months, with figures from Kantar Worldpanel indicating purchases were almost unchanged in the year to 26 April 2015. However, more recently, sales have started to decline. Volumes were down by 2% in the latest 12 weeks and as much as 8% in the last four weeks, although that may be partly due to this year's earlier date for Easter.

Looking ahead, forecasts suggest that supplies will tighten further during the rest of 2015 and into 2016. This could give some support to prices. However, with demand

remaining challenging at home and abroad, it seems unlikely that prices will return to the levels seen in 2013.

Sheep prices actually started 2015 at reasonable levels, given last year's large lamb crop. The strong supply had kept prices relatively low during the autumn but the market picked up in the run up to Christmas and remained firm in the New Year. However, with large numbers of lambs still on farm, the usual uplift in prices in the run up to Easter never really happened. Easter is the peak period for lamb consumption but, as well as the high domestic supplies, plentiful imports from New Zealand kept a lid on prices in the short-term.

GB liveweight lamb SQQ



Source: EU Commission

The exchange rate has an even more important role in the sheep meat market. With over a third of UK production exported, mostly to the rest of the EU, sterling prices had to fall to remain competitive. Fortunately, continental lamb markets have been relatively firm this year, preventing prices falling even further. Domestic consumption, however, has been subdued over the last year, with household purchases down 7% over the 12 months ending 26 April. Heavy promotions did mean a better Easter, however (see page 10 for more analysis of Easter meat sales).

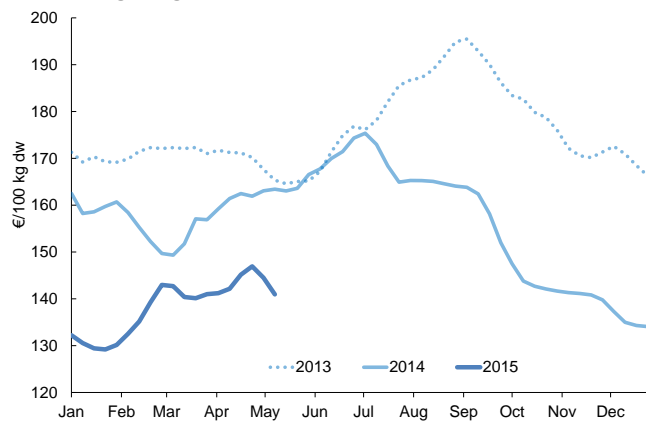
With the weather having been good again over the last year, another large lamb crop is forecast. This is expected to mean that supplies remain plentiful for the rest of this year. Already, this is starting to weigh on prices, as the new season gets off to a strong start. Since Easter, prices have fallen further, at a time of year when they would typically be rising. This adds to fears that 2015 could be a challenging year for sheep producers, unless demand picks up.

With prices dropping for other meats as well as for pork, the retail sector is likely to be challenging. This is particularly true as overall demand for meat seems to be weak at the moment; in the latest 12 week, 2% less meat was purchased by GB consumers than a year before, despite the lower prices. Low prices may, therefore, not be enough on their own for pork to gain the market share it needs to boost demand and give support to farmgate prices.

EU Market Snapshot

Since the beginning of March, the EU average pig reference price has fluctuated between €140 and €147 per 100kg but with no clear trend. The price rose through much of April, increasing from around €141 per 100kg at the end of March to €147 four weeks later. However, prices then fell back in early May, losing all of the ground gained during April. In the latest week, ended 17 May, the price stabilised to stand at €140.75 per 100kg, €22 lower than a year earlier.

EU Average Pig Reference Price



Source: EU Commission

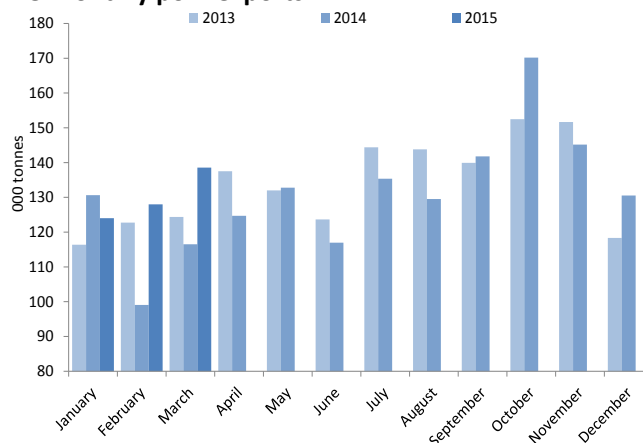
The biggest increases in prices during April were in the main northern producers, with Germany, the Netherlands, Denmark and Poland all recording increases of 5-6%. However, apart from Denmark, they all saw prices fall back again in early May. Prices further south increased more slowly during April but, unlike those further north, they held their level in early May. This was also true of Ireland, where prices rose by 3% during April then stabilised into May.

Pork exports from the EU during March were up 19% on a year earlier, at 139,000 tonnes. While shipments in March 2014 were down in the wake of the Russian ban, the latest figure is also higher than the same month in earlier years. Indeed, it is the highest March figure in records back to 2002. As in most recent months, strong sales to Asia and Oceania have driven the increase, with China, South Korea and Australia among the major growth markets. The weak euro has ensured that EU pork remains competitive on these markets as demand strengthens. This means that, although prices were 19% lower in US dollar terms (the dollar being the currency of international trade), they were actually 4% up in euros. That meant that the value of exports rose by nearly a quarter year on year, to €319 million.

Offal exports were equally strong in March, with a 29% year-on-year rise, to 106,800 tonnes. China and Korea were again key growth markets, with shipments to the latter more than doubling. There were also good sales to a range of smaller markets in Asia and Africa. Again, unit values were higher in euro terms, increasing the value of exports by 37% to €123 million. Even pig fat, for which Russia was previously the dominant buyer,

recorded increased shipments in March, although they will still only around half their level in March 2013. However, unit prices fell further and were only around half of their level before the Russian ban.

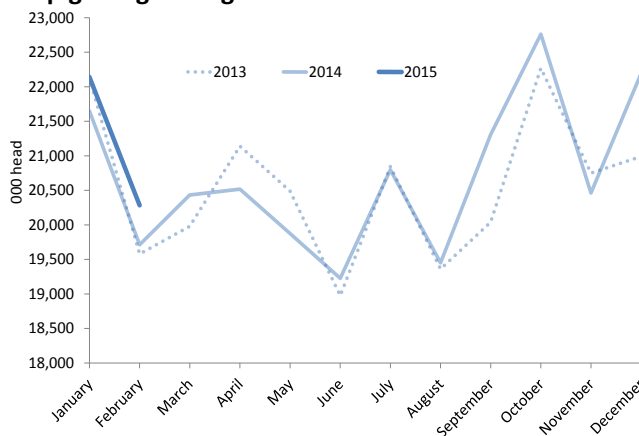
EU monthly pork exports



Source: Eurostat, GTIS

Latest figures from Eurostat show that EU pig slaughterings in February 2015 totalled 20.3 million head. This was 3% up on the same month last year, continuing the rising trend of most recent months. With carcase weights averaging only slightly heavier, pig meat production was up by a little over 3% at 1.84 million tonnes. Although up on a year earlier, the number of pigs slaughtered per working day was somewhat lower than in January, as is normal for the time of year. Even so, with supplies still relatively plentiful, it seems that the rise in pig prices during February was mainly demand driven.

EU pig slaughtering trends



Source: Eurostat

The most important contributor to the rise in EU slaughterings was Spain; its throughputs were 8% up on February 2014 at 3.9 million head. This was more than enough to offset a marginal fall in the German kill, the EU's largest, largely due to lower imports of slaughter pigs from the Netherlands. This also meant that Dutch throughputs were up sharply compared with a year earlier. Among other major producers, slaughterings in Denmark were up 1%, while in France they were level on the year and in Poland were down 2%.

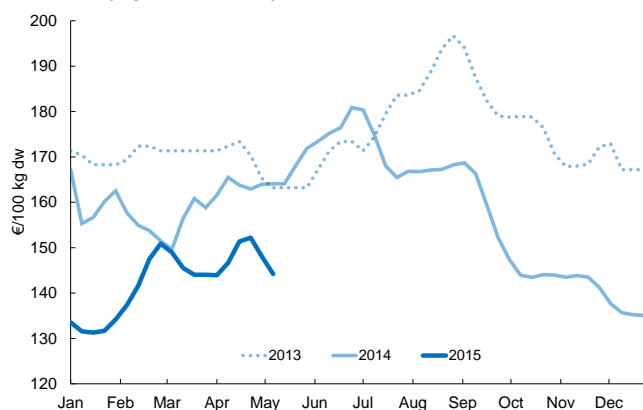
Global Market Analysis

Negative margins hit German producers

German pig prices have been low so far this year. The ongoing impact of the Russian import ban is one contributory factor, along with subdued consumer demand across the EU and an increase in production. The situation might have been even worse were it not for strong sales to Asian markets, helped by the weak euro. Nevertheless, most producers have been in the red since last summer and there are signs that this could lead to tighter supplies from the end of this year.

Having peaked at just over €1.80 per kg in June 2014 (already nearly 20 cents lower than the previous year's peak), the German reference price fell sharply in the autumn, reaching a low point of just over €1.30 per kg in January. Although it has recovered somewhat since then, the price remains well below the levels of recent years; in the latest week it was 20 cents lower than a year earlier at around €1.44 per kg.

German pig reference prices



Source: EU Commission

German piglet prices have followed a similar downward trend, falling from over €60 per head a year ago to €37 at the turn of the year. Some seasonal recovery has bought the average price back up to about €51 per head but that is still 15% down on last year's spring peak. Cull sow prices have fallen too, with the latest price of €1.03 per kg less than three-quarters of its level a year ago.

This negative picture is a result of a combination of factors. The Russian import ban is undoubtedly one of them. In 2013, Russia was Germany's largest non-EU market, although it only took 5% of all German exports. Equally important, though, is a rise in production at a time when EU consumer demand has also been subdued. Between August 2014 and February 2015, Germany slaughtered 3% more pigs than a year earlier, with pig meat production up 4%.

Nevertheless, things might have been even worse. The weak euro and supply shortages in the US have allowed Germany to find new export markets, particularly in Asia. Excluding Russia and Belarus, German sales to non-EU countries rose by nearly 40% last year and this trend has continued in early 2015. With EU sales also up

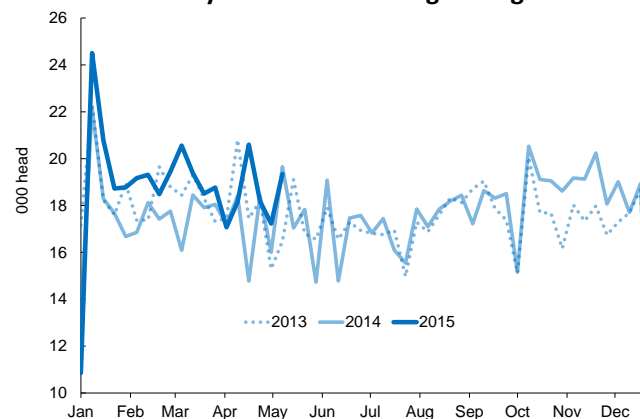
3%, this meant that Germany was able to increase its pork exports again last year, despite the loss of the Russian market. However, it is worth noting that some of the products previously shipped to Russia have proved difficult to sell elsewhere. This means that, despite the higher volumes, the value of pork exports fell 5% last year to just under €3.8 billion.

Although the weak euro has helped support export sales, its impact on the German industry is not all positive. Since cereals and oilseeds are generally priced in US dollars, producers have not benefitted fully from falling feed prices. This has limited any drop in production costs and means that most German producers have been losing money since last summer. Finishers are reported to be losing money at a rate of €5 -10 per head based on current prices, although margins were better last autumn due to the low piglet price.

Breeders have been affected much more severely. German market intelligence organisation AMI estimates that the cost of piglet production is around €60 per head. Even with weaner prices having recovered during the spring, producers are still losing significant amounts on each animal. This comes on the back of sustained losses over the last year, on a scale not seen since 2011.

Further evidence of these difficulties comes from a rise in sow slaughterings. Weekly figures from AMI show that cullings have been well ahead of year earlier levels since October. With sow prices low, this suggests producers are reducing their herds. Over this period, around 40,000 more sows have been slaughtered than the previous year. This is equivalent to around 2% of the German breeding herd.

Estimated weekly German sow slaughterings



Source: AMI

It remains to be seen what impact this will have on the size of the German sow herd; the situation will be clearer when the next census results are published in August. However, it could mean that supplies will start to tighten again later in the year. While this might eventually provide some support to prices, most forecasts suggest they will remain subdued, although probably staying above the low points of late-2014.

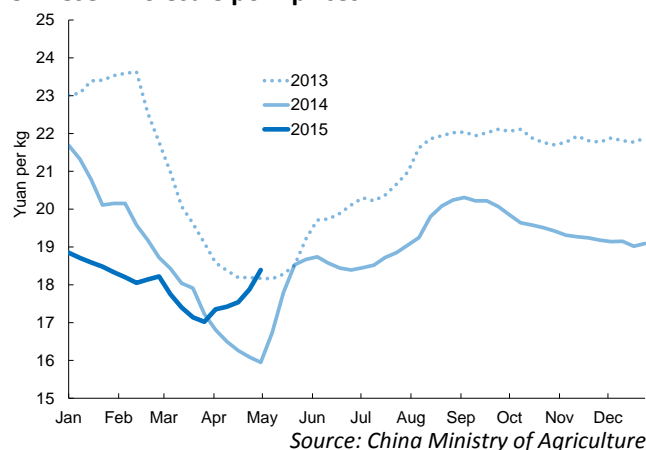
Global Market Analysis

Falling Chinese herd presents export opportunities

With around half the world's pigs, developments in China have a big impact on global trends. While much of the world was experiencing high pig prices and low input costs during 2014, the reverse was true in China. This led to a sharp fall in the breeding herd and is projected to mean lower production this year. While slower economic growth may limit demand to some extent, there will probably be greater export opportunities as a result.

During 2014, Chinese pig prices averaged 10% lower than the previous year and were 20% down on the inflated levels seen in 2011. Wholesale pork prices followed a similar trend during 2014 and are averaging 3% below 2014 levels so far this year. However, wholesale prices have picked up of late, which is probably the first sign that the expected tightening of supplies is beginning to affect the market.

Chinese wholesale pork prices



While pig prices were low in 2014, prices for maize (the main feed grain in China) were much higher than on global markets. This meant that the Hog:Corn price ratio has been below 6:1, normally regarded as the break-even level for Chinese pig producers, for over a year. As a result, many producers have been reducing the size of their sow herds. Latest figures from the Chinese Ministry of Agriculture show that in March 2015, the sow herd numbered 40.4 million head. This was around 7.5 million (15%) fewer than a year earlier. To put this in context, the US sow herd, the second largest in the world, numbers less than 6 million head.

Many of the losses will have come from 'backyard' producers or small farms, rather than the more efficient commercial farms. Nevertheless, the overall pig herd was 10% down on a year earlier as productivity gains have been insufficient to offset the decline in sow numbers. A drop on this scale will inevitably mean lower production, especially as last year's output included heavy sow slaughterings. However, modern farms finish pigs quicker than traditional ones, so the fall in production won't be as high as 10%. Latest USDA forecasts put the decline at just 1% for the year as a whole, although the drop is likely to

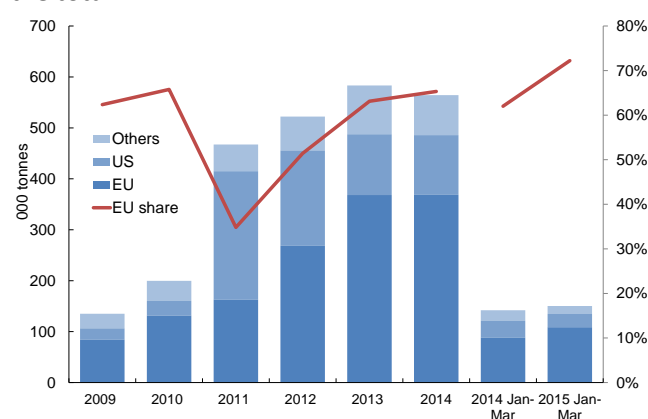
be sharper than this in the second half of the year. Nevertheless, given the scale of the market this equates to around 600,000 tonnes less pig meat.

This will inevitably mean that pig and, hence, pork prices will rise. Given that economic growth is slowing, this may mean that any rise in pork consumption is modest – USDA forecasts virtually no change between 2014 and 2015. Even so, the shortfall in domestic supplies creates an opportunity for exporters with access to China. This opportunity may be greater still given reports that the Chinese government is cracking down on smuggling of meat into the country.

Last year, China imported 564,000 tonnes of pork and 814,000 tonnes of pig offal. With most involving products with little value elsewhere, this trade is important for exporters looking to maximise carcass values. Nearly two-thirds of pork and over half of offals were sourced from the EU, a market share which has risen over time. Last year, the UK was the sixth largest supplier of pork to China and the ninth largest supplier of pig offal, with market shares of 5% and 2% respectively. This emphasises how important the Chinese market is to the UK industry.

Even in the first quarter of 2015, there were signs that Chinese imports were starting to pick up. During these three months, shipments were up 6% year on year, to 150,000 tonnes. This represents the highest first quarter figure on record. With shipments typically picking up in the second half year, when domestic supplies are set to be at their tightest, this adds weight to forecasts of a strong year for imports.

Growth of Chinese pork imports and of EU share of the total



The EU's market share increased further in early 2015, topping 70% for the first time. While this was partly due to port labour disputes disrupting US exports, the weak euro has ensured EU product remains competitive. With the Russian market still closed, China could, therefore, provide a lifeline to the EU market. Despite not having the same exchange rate advantage, the UK could also benefit from the higher Chinese demand, providing some relief from the challenging conditions on the domestic market.

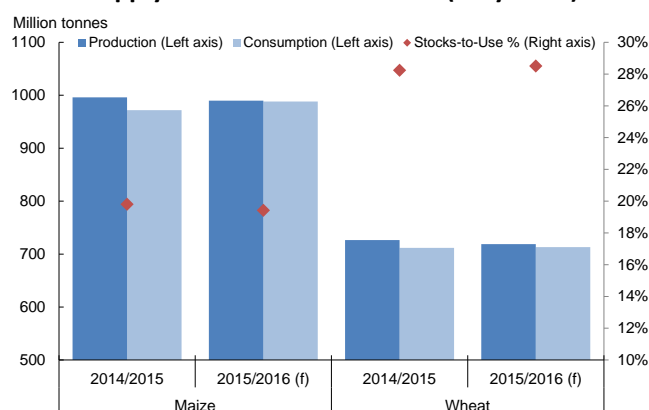
Feed Market

May has proved to be a mixed month for grains. The downward trend through April continued into early May, driven by expectations of high global production and large stocks. In mid-May the market experienced a brief rally. The upward movement was caused by a combination of factors, including some weather concerns, currency movements and speculative traders trying to reposition themselves.

Despite some dips, including closing at two new contract lows over the month (on 5 & 13 May), the Nov-15 UK feed wheat futures contract closed at £121.55/t on Wednesday 20 May, up £1.30 since the start of the month. Similarly, Dec-15 Chicago maize futures prices had a variable month, with prices ranging almost \$4 over the month. Maize contracts closed at \$145.37/t on 20 May, \$0.20 less than on 1 May. The variation seen over the month is a symptom of the mixed news coming through in recent weeks.

The USDA 2015/16 season supply and demand estimates released on Tuesday 12 May did little to ease the downward pressure on prices. Production was forecast down year on year, by 7.5Mt for wheat and 6.3Mt for maize. However, another surplus was projected for wheat and only a thin deficit for maize which may just about keep a lid on the maize stocks-to-use ratio. Unlike wheat, maize doesn't have scope for a huge amount of movement in its stocks-to-use ratio, without lending support to prices. Since maize is the dominant feed grain, this puts maize stocks back on the watch list as a potential source of volatility.

World supply and demand estimates (May 2015)



Source: USDA

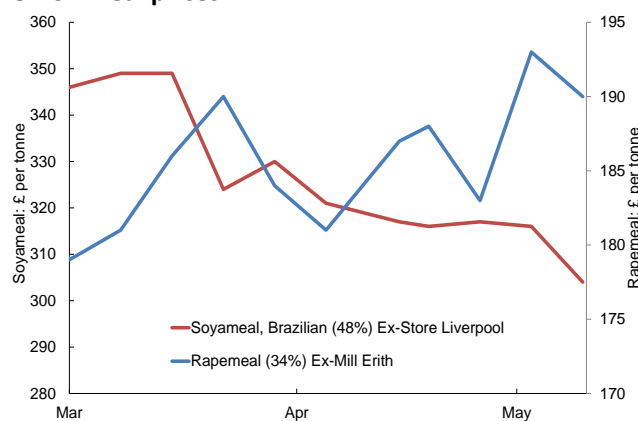
Confirmation of El Niño conditions by The Australian Bureau of Meteorology and Japan Meteorological Agency introduced some supply concerns to the market. The likes of Australia, a top grain exporter, have in previous El Niño years, 2006 in particular, been severely impacted. Although the extent of the impact on production is difficult to determine at this stage, markets can potentially become twitchy and overreact to individual weather reports.

A weakening US dollar through the first half of the month also contributed to price movements. With

global commodity trade denominated in dollars, weakness in the currency supports the dollar price, encouraging speculators to buy. There is a risk for the UK here, in that a falling dollar impacts UK export competitiveness onto the world market – something that it has been more reliant on this season in light of a strong pound against the euro.

Over the month soyabean prices continued to tumble. On 20 May the Nov-15 Chicago soyabean futures contract closed at \$338.28/t, \$9.55 lower than at the start of the month. On the other hand, Nov-15 Paris rapeseed contracts closed at €361.50/t, up €5.75 on the start of the week, aided by a weakening in the euro. The movement of these contracts has been mirrored by UK oilmeal prices.

UK oil meal prices



Source: AHDB/HGCA

The USDA stretched the bearish feel into the new crop by projecting a global 15Mt surplus of soyabeans in 2015/16 which would push the stocks-to-use ratio above 31%. An increase to the US soyabean area is expected despite poorer returns, as damage limitation drives farmers to choose soyabeans over maize. While other factors are also at play, ultimately falling prices have less of an impact on the lower yielding crop, in this case soyabeans over maize.

Over the month, more cases of avian influenza were reported from US farms, with cases now found in 16 US states. As at 20 May, an estimated 38 million birds have died or been culled as a result of the virus. Although the recent bird flu outbreak has caused concerns over feed demand, many remain confident that the chicken population will recover quickly.

El Niño is certainly a watch point for the oilseeds market. It is a threat to canola (rapeseed) production in Australia and palm oil in South East Asia. However, Malaysian stocks and production of palm oil continue to run ahead of a year ago as we head towards the production peak in August-October. So, we have to treat El Niño as a market sentiment driver at present, which may or may not fully materialise, but certainly it is a risk factor to keep an eye on.

In Brief

Lamb legs gain in the run up to Easter

Fresh meat and poultry sales recorded year on year declines in the 12 weeks ending 26 April 2015, even as the economy continued to recover. However, for the 4 week run up to the Easter weekend, lamb and beef sales recorded growth in value and volume but this was offset by slight declines in chicken and significant reductions in pork sales.

Easter provided some relief for roasting joints, according to Kantar Worldpanel. In the pre-Easter period, fresh roasting joint sales (beef, pork and lamb) were up compared with Easter 2014 in both volume (9%) and value (1%) terms, supported by a higher share of households purchasing these cuts. Lamb leg joints sold particularly well, overtaking beef as the joint with highest spending on it in the run-up to Easter, while only pork leg joints were down compared to last Easter. Year on year Easter growth since 2011 has confirmed the position of lamb as an Easter dish.

While meat and roasting joint prices have risen in recent years, this Easter saw prices fall across all proteins, aided by heavier promotional activity, especially temporary price reductions. Indeed, 80% of spending on lamb leg joints was on promotion this Easter. This put average lamb prices at below Easter 2011 prices, an indicator of ample supply in 2015. Lamb leg prices were around £2/kg below roasting beef prices, a contributing factor to shoppers switching to lamb leg from beef roasting, as well as from whole chickens and pork roasting cuts.

Within pork, leg roasting joints continued to perform poorly at Easter, despite registering the biggest price decrease of any red meat roasting joint. Pressure in particular came from whole chicken price reductions of up to 20% in the Big 4 retailers. In contrast, pork shoulder continued its recent good performance and was up some 13% in volume sales, helped by an increase in levels of promotional activity at Easter.

This overall growth in roasting joint sales was the biggest volume improvement across all red meat cuts, with smaller year-on-year growth evident in stewing cuts and mince, offset by declines in steaks and chops.

Sharp recovery in US production

US production, as expected, showed a sharp rebound in the first quarter of 2015 as the industry continues to

recover following the disease affected 2014. Output was up over 6% compared with both Q1 2014 and 2013. For 2015 as a whole USDA forecasts a rise of 6% to 11.0 million tonnes. Despite production increasing, pork exports fell 14% in the quarter as a result of the strong US dollar and port labour disputes. As a result, there is more pork on the US market, meaning prices which have fallen to well below levels seen in 2014 and 2013.

EU economic recovery set to continue

The EU Commission's latest economic [forecast](#) includes an upwards revision for 2015 to a rise in real GDP of 1.8%, increasing to 2.1% for 2016 across the EU. Alongside this, overall domestic demand is set to grow more than in the previous year, helped, in part, by low oil prices and the weaker euro. Economic growth is frequently linked to trading-up in retail markets. However, current trends suggest that shoppers remain price conscious after a period of low consumer confidence.

Danish pig numbers up in April

According to the April census, total Danish pig numbers increased 2% to 12.5 million head. A 4% rise in the number of weaners drove the total increase. However, a fall in the number of slaughter pigs indicates the export of weaners continues to grow. The breeding herd recorded a 1% increase and a 4% rise in maiden gilts shows some positivity for the months ahead. The number of piglets continued to grow more than the breeding herd, showing further improvements in sow productivity.

Pig and Poultry Pocketbook 2015 out now

The 2015 edition of the AHDB Pig and Poultry Pocketbook was launched earlier this month. Copies are being mailed out to everyone who normally receives one. As in previous years, the Pocketbook, which is genuinely small enough to fit in most pockets, pulls together the key facts and figures about the pig and poultry industries in one place. It covers the whole supply chain, from farm to fork, including information about the structure of the industry, prices, production levels, carcass classification, international trade and retail sales. Once hard copies have been distributed, the Pocketbook will also be available to download in PDF format from the BPEX website.

Read more about these and other stories in Pig Market Weekly. To view past editions or to subscribe, [click here.](#)

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