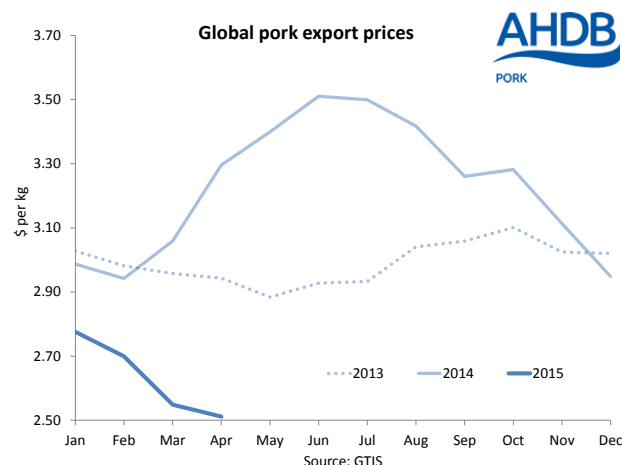


Global pork prices depressed

Globally, pork prices were exceptionally high in 2014, at least outside the EU. This year, it looks like the opposite will be true. Based on prices from the four major exporters (the EU, US, Canada and Brazil), the average export pork price reached over US\$3.50 per kg last summer. By the end of the year, it had subsided to a more normal \$2.95 per kg. Since then, prices have continued to fall and by April, the average was as low as \$2.51 per kg. This is the lowest level recorded since December 2009, is nearly a quarter lower than a year earlier and a full dollar below last summer's peak.

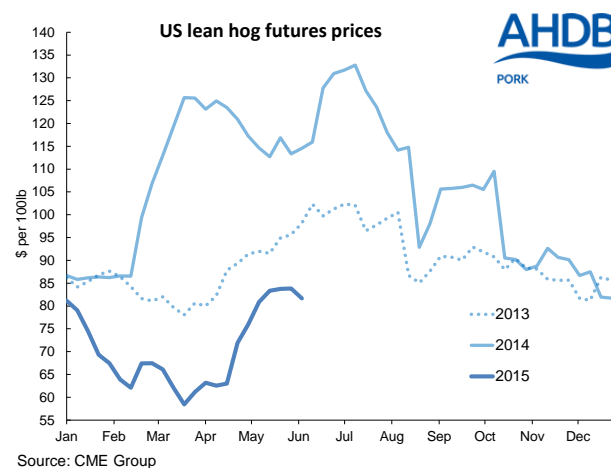


Although prices for EU exports didn't reach the same heights as those from the Americas, the weakening euro has ensured they have still fallen in dollar terms since last summer. The average EU export price dropped from around \$3.30 per kg in mid-2014 to \$2.52 in April 2015 but in euro terms, this represented a fall of only around 10 cents per kg. Similar currency depreciation has helped Brazilian and Canadian pork to remain competitive while limiting domestic price falls. This competitiveness has meant that US export prices have had to fall too, although they have done so more slowly and remain higher than in the other major exporters.

The decline in export prices has also been reflected in domestic prices in many parts of the world. Of course, this includes the UK and the rest of the EU. The last time EU prices were as low as in recent months was in early 2011. The causes of the low prices are well documented, with the Russian import ban prominent among them, along with an increase in supplies and subdued consumer demand. There seems little prospect that prices will rise much in the near future, as these factors will remain in place.

The effect of last year's price rises was most apparent in North America, driven by supply shortages due to PEDv. US prices rose to unprecedented highs, with Chicago lean hog futures (which normally track physical prices fairly closely) reaching over \$130 per 100lb (around 168p/kg). However, as it became clearer that the impact of PEDv would be lower

than expected due to heavier weights, prices began to fall later in the summer. By the end of last year, they were back to more normal levels and in early 2015 they fell further.



This was partly due to increased supplies as the high prices had encouraged many producers to expand. It was also influenced by difficult export markets, with the strong dollar and port labour disputes slowing the pace of shipments. At the low point in March, prices dropped below \$60 per 100lb (90p/kg). Helped by the ending of the labour disputes, the seasonal rise in prices has been somewhat faster than normal but they remain below the levels of recent years.

Canadian prices have, as normal, tracked those south of the border. However, the depreciation of the Canadian dollar means price falls have been less spectacular than for US pigs.

Many of the leading importers also experienced high pig prices last year but have since seen them fall back. For example, in 2014 Japanese prices averaged 19% more than 2013 and were even higher in the summer. However, by May 2015, they were well below year earlier levels, although not as low relative to historical levels as US prices.

As reported [last month](#), Chinese prices have been an exception to the general trend. Last year, they were at an unusually low level but recently they have been rising as supplies tighten following sow culling in response to the low prices and high feed costs. Prices are now close to their level two years ago and can be expected to continue rising seasonally for the next few months at least.

Last year showed that global price trends aren't necessarily reflected on the EU or UK market. However, the improved competitiveness of EU pork undoubtedly prevented prices being even worse. As such, the depressed global prices this year provide little comfort to EU producers, even though the weak euro is limiting the impact. Export prices will need to stay low to compete, which is likely to mean that pig prices will remain under pressure. Although less exposed to global markets, this is bound to have some effect on UK prices too.