

In this Issue

Cost of production

Latest cost of production estimates show that pig producers were, on average, back in a loss-making position in the first quarter of 2015. This follows eighteen months of positive margins. Further analysis of the data now shows that, as well as farrow-to-finish producers, both breeders and finishers are also losing money based on current weaner price levels. To read about the analysis of production costs in more detail turn to **page 4**.

Pig prices – lessons from history

GB pig prices have recently dropped to their lowest level in over six years. However, before that time, prices had rarely reached this level. Among the factors which are influencing price levels are the exchange rate between the pound and euro and the level of retail demand relative to supply levels. Analysis of historical trends, reported on **page 5**, looks at how these factors influence pig prices.

Global prices

Globally, pork prices were exceptionally high in 2014, at least outside the EU. This year, it looks like the opposite will be true. By April, global export prices were a full dollar below their level at last summer's peak. The decline in export prices has also been reflected in domestic prices in many parts of the world. More detail on prices around the world and what they could mean for the EU market can be found on **page 7**.

Emerging markets

It is now a year and a half since Russia implemented the ban on imports of pork. Despite this, EU exports fared relatively well after the loss of the Russian market in 2014 and shipments were down just 2% compared to the previous year. Much of this excess went to well established markets in the Far East. However, increased volumes going to smaller, non-traditional markets were also a significant factor in maintaining the volumes shipped. Read analysis of how EU exports to these emerging markets are faring in early 2015 on **page 8**.

AHDB Rebranding

From earlier this month, the pig and pork-related activity of AHDB will be branded as AHDB Pork, replacing the BPEX brand. For more on the change see **page 10**.

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Key data

	May-15	Change since Apr-15	Change since May-14
Average GB carcass weight - kg	80.55	-0.35	+0.27
30kg weaner price - £/head	44.27	-0.33	-11.86
7kg weaner price - £/head	33.09	-0.07	-7.78
GB APP (Euro-spec) - p/kg dw	136.02	-	-30.10
GB SPP (Euro-spec) - p/kg dw	131.28	-0.79	-32.70
EU Reference price - €/100kg dw	142.03	-2.01	-21.94
UK Reference price - €/100kg dw	180.31	+0.45	-14.62
UK weekly clean pig kill - 000 head	197.4	+3.1	+9.4
UK weekly pig meat production - 000 tonnes	16.7	+0.2	+0.9
UK pork imports - 000 tonnes*	27.6	-3.1	-2.0
UK bacon imports - 000 tonnes*	19.9	-1.2	-0.3
UK pork exports - 000 tonnes*	14.0	-1.9	-1.0
Retail pig meat sales - 000 tonnes†	54.6	+0.9	-0.9
LIFFE feed wheat futures - £/tonne	109.36	-7.16	-45.99
CBOT Soyameal futures - \$/tonne	308.87	-8.38	-183.53

* Figures relate to April 2015

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 24 May 2015

Interested in data? Get more detail about these and other areas from the [AHDB Pork website](#)

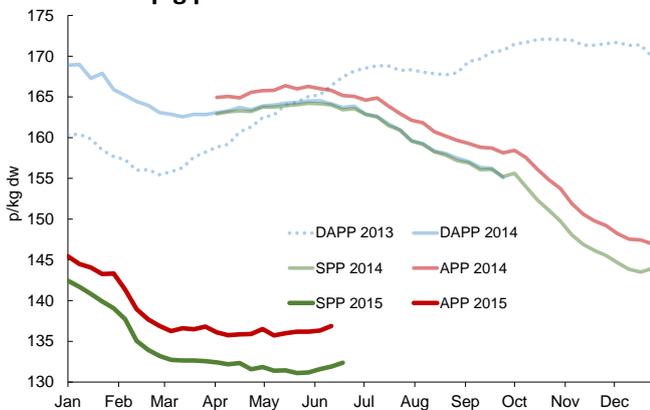
We are now on Twitter. For regular updates about the UK pig market and related publications, follow us @HowarthStephen

UK Market Snapshot

The stability of finished pig prices which has been apparent since March continued throughout May, with prices even starting to rise slightly by early June. The average EU-spec GB APP in May was unchanged from April at 136.02p/kg as prices fell at the start of the month then rose slowly for the remainder. However, given the price falls of the last year, the monthly price was just over 30p lower than in May 2014. With prices typically rising through the spring as supplies tighten, the current stable prices suggest that the market is still subdued. Although EU prices have firmed slightly, they are still well below those in the UK, which continues to exert some downward pressure, along with more plentiful domestic supplies and weak consumer demand. By week ended 13 June, the price had reached 136.88p/kg and the gap to a year earlier, when prices had started to fall, had dropped back below 29p.

As has been the case in most recent months, the GB SPP fell slightly more than the APP in May, with the monthly average price down just under a penny at 131.28p/kg. This meant the gap between the two series reached a record level of nearly 5p. However, in early June the SPP regained the ground lost during April and May, standing at 132.38p/kg in week ended 20 June. This was still 31p down on a year earlier, however.

GB finished pig prices



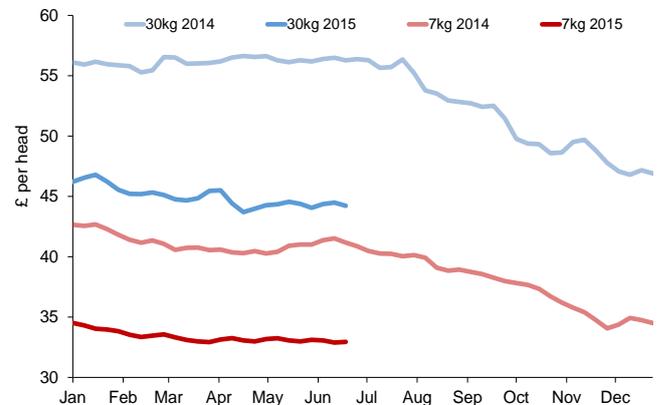
Source: AHDB Market Intelligence

Carcase weights continued to fall seasonally during May and early June but remained above last year's levels. The average weight of pigs in the APP sample during May was 80.55kg, around 300g heavier than a year before, although the gap does appear to be falling. Standard pig weights remained higher, with the SPP sample average over a kilo heavier than the APP, at 81.63kg, around 800g up on the year.

The weaner market also remained broadly stable. The average price for 7kg weaners in May was a few pence lower than in April at £33.09 per head, although this was nearly £8 down on a year earlier. Similarly, 30kg store pig prices were down by around 30p at £44.27 per head. This was nearly £12 lower than in May 2014, reflecting the much weaker finished pig market. This was the lowest monthly price since October 2012, a time when finished pig prices were around 25p higher. This

indicates that relatively low feed prices have helped to ensure that the weaner price falls over the last year haven't been even larger.

GB weaner prices

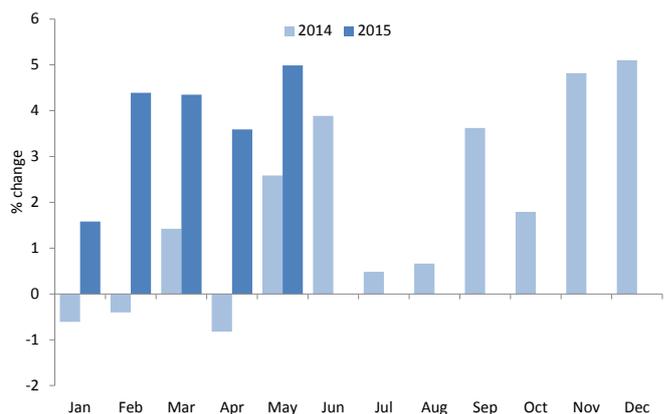


Prices are 3-week rolling averages

Source: AHDB Market Intelligence

Latest figures from Defra show that the strong growth in UK pig meat production continued in May, with output over 5% higher than a year earlier at 66,700 tonnes. At 789,400 head, the UK clean pig kill was also up by 5%, in line with the trend in most recent months. The year-on-year growth in slaughterings was similar across all parts of the UK, with Scotland and Northern Ireland also recording a 5% uplift. Although these figures add weight to the view that census results showing a declining breeding herd may have been pessimistic, they also confirm that the productivity of the UK's sows continues to improve.

Annual change in UK clean pig slaughterings



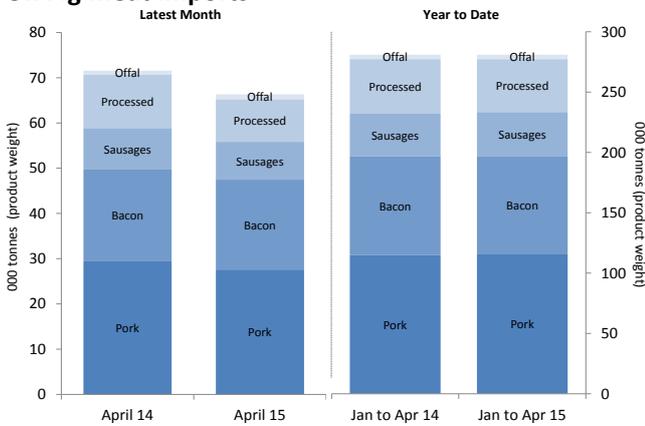
Source: DEFRA

As well as the ongoing increase in pig numbers, carcase weights have also been consistently heavier over recent months. This trend continued in May, with the average of 81.2kg around three-quarters of a kilo heavier than in May 2014. However, the growth in production from clean pigs was again partly offset by lower sow slaughterings. Throughputs were 7% down on a year earlier at 18,000 head. Cullings have now declined for 12 consecutive months, adding to concerns that increased retention of sows could have an impact on productivity in the longer-term.

UK Market Snapshot

According to the latest data from HMRC, UK pork imports in April 2015 decreased 7% on the level seen a year ago. The main falls were from Germany, the Netherlands, Belgium and France, while volumes from Denmark, the largest supplier of pork to the UK, Spain and Ireland actually increased. Volumes imported from Poland remain small relative to other countries but have been showing large increases for a number of months. These figures show that the preference for UK pork largely remains in place, following suggestions that the difference in prices was leading buyers to switch to European pork after imports in February and March increased. The total value of pork imports fell 16% as average unit values saw sharp falls.

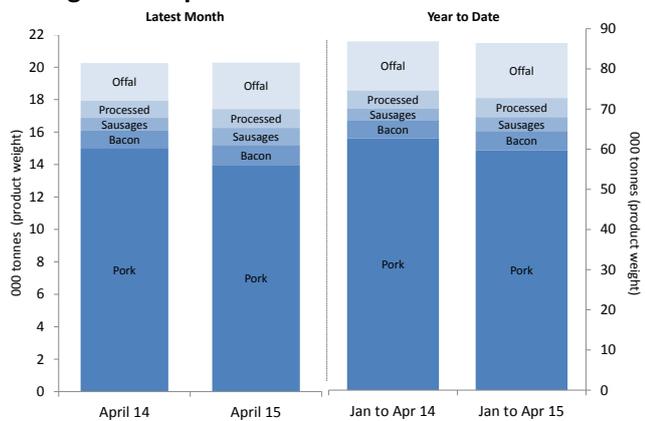
UK Pig Meat Imports



Source: Her Majesty's Revenue & Customs

Shipments of bacon to the UK were down 1% in April, with larger falls from both Denmark and the Netherlands, while volumes from Germany and Ireland increased. Imports of processed pork fell 21% due to lower shipments from Ireland and Poland, while sausage imports fell 8% following a decline in volumes from Germany and the Netherlands.

UK Pig Meat Exports



Source: Her Majesty's Revenue & Customs

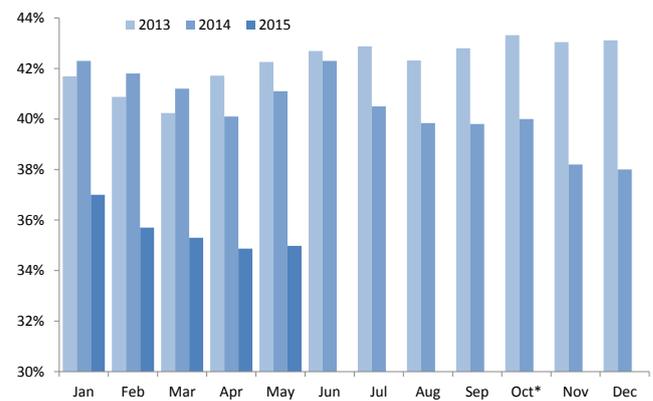
UK pork exports continued to fall in April, being down 7%, as the continuing strength of the pound reduced the UK's competitiveness against EU pork on international markets. Falls were seen in shipments to Germany, the Netherlands, Hong Kong and Belgium, while exports to Denmark, China and Ireland were higher than a year ago. Despite the fall

in shipments to Germany, it remained the largest destination for UK exports in April. A decline in average unit prices led the total value of exports to fall 15% year on year to £14.7 million.

Offal shipments during the month were up nearly a quarter due to a large increase in volumes shipped to China, along with some recovery in exports to the rest of the EU.

In May, the share of the retail price received by producers remained level with the previous month at just below 35%, as both farmgate and retail prices were stable, each moving by less than 1%. However this remains 6 percentage points below May 2014, as much sharper falls have been seen since then in farmgate prices than in retail prices. There was actually a very marginal increase in the share of the retail price received by farmers, so April remained the lowest level in over six years, with May being the second lowest.

Percentage of pork retail price received by producers



* figures from Oct-14 are based on APP Source: DEFRA

In the 12 weeks ended 24 May, pork sales were still down year-on-year. This was a result of a combination of switching to chicken and lamb, which have been heavily promoted, and lower levels of volume-driving Y for £X promotions this year. Competition has been particularly fierce with chicken, with the price differential between the two proteins increasing over the year. Fresh chicken, for the latest period, was approximately 10% cheaper than fresh pork on average.

Pork shoulder joints were the only cut to record an increase in either value or volume sales, up 3% and 8% respectively. This was largely driven by the final 4 weeks, which featured the launch of a major promotional campaign featuring pulled pork. Chops and steaks declined the most, as in the previous period. Decreased prices did not entice buyers to purchase in bigger volumes and the number of households choosing them was down 10% on the year.

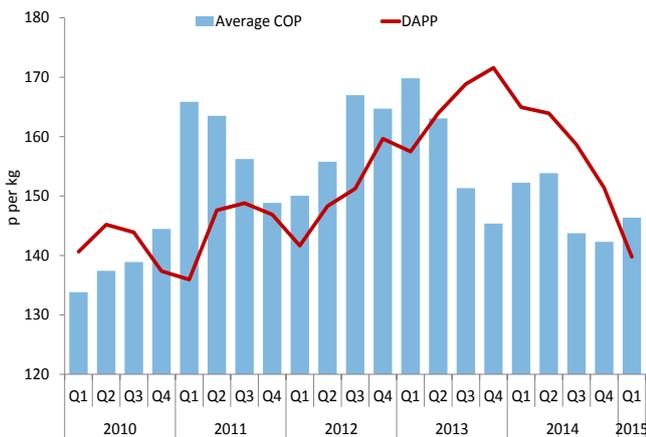
Sausages, bacon and ham sales also under-performed, as in the previous period. The Hard Discounters made some gains with sausages on promotion. More ham was sold on total price reduction than this period last year, rather than multibuy (Y for £X) promotions.

UK Market Analysis

Producers back in the red

Latest AHDB estimates of the cost of pig production confirm that GB farrow-to-finish producers, on average, lost money during the first quarter of 2015. At 146.4p/kg, the cost of production was almost 7p higher than the average pig price during the quarter, equating to a loss of £5 per head. This is the first time costs have risen above incomes since the first quarter of 2013 but before that producers were often in a loss-making position. By the end of the quarter, pig prices had fallen still further, pushing losses towards £8 per head.

Total cost of pig production compared with pig prices



Source: AHDB Market Intelligence

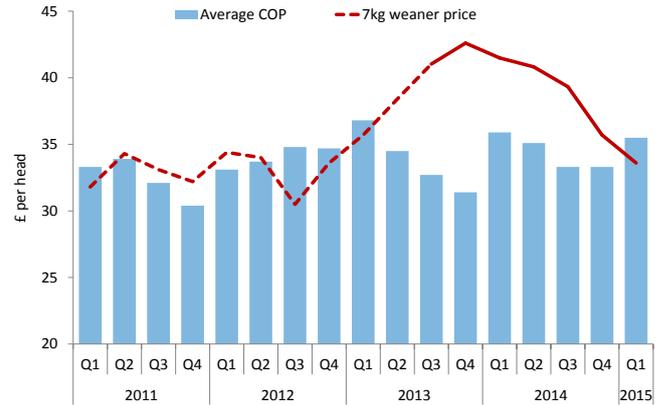
During the period of profitability which ended in late 2014, the industry is estimated to have made around £160 million after taking account of depreciation and financing costs. However, this was insufficient to fully offset the losses made during the previous three year period when margins were negative. These amounted to an estimated £180 million. This may help to explain why the high prices on offer did not lead to expansion of the UK breeding herd over the last two years.

Estimated costs in the first quarter of 2015 were slightly higher than in the second half of last year. This was largely attributable to a modest rise in feed prices and the low cull sow price, which increased the effective cost of replacement gilts. However, costs remained towards the bottom end of the range experienced in recent years, limiting the impact of falling pig prices on producer margins, for now at least.

The overall cost of production estimate covers the whole pig production cycle, from service to slaughter. So how do margins compare for different production stages?

The model used to estimate overall production costs also allows us to look at different production stages. For example, we can isolate the costs associated with breeding to estimate the cost of producing a weaned piglet. Over recent years, this cost has generally been between £30 and £35 per head. The cost of piglet production varies less than for finished pigs because feed, which provides most of the volatility, makes up a much smaller proportion of the total cost.

Total cost of piglet production compared with weaner prices

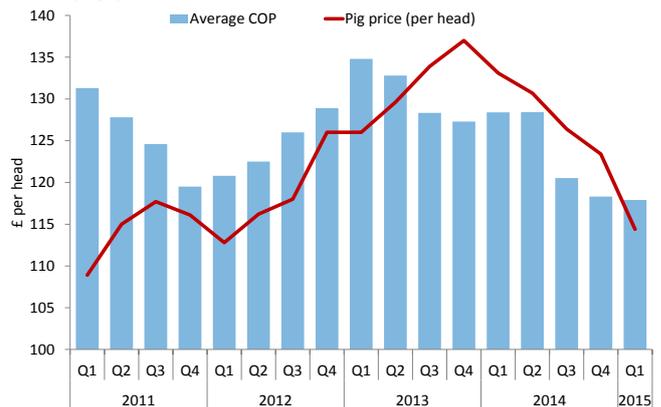


Source: AHDB Market Intelligence

The estimated cost of piglet production rose slightly in early 2015. This was largely due to the low cull sow price, which increased the cost of replacing older sows with new gilts. Over the last year, the decline in the sow price has largely offset the fall in feed costs. As a result, 7kg weaner prices have fallen back over the last year, producers who are selling piglets have also, on average, been back in the red since the turn of the year.

In the first quarter of 2015, the model estimates that the cost of raising a pig from 7kg to finished weight was around £84 per head. With the piglet price averaging £34 per head, that means the total cost to finishers during the quarter was around £118. With the average finished pig price equating to £114 per head, finishers too were back in the red.

Total cost of raising pig from wean to finish compared with pig prices



Source: AHDB Market Intelligence

Based on the latest estimates, the financial position of producers has obviously worsened in recent months. However, with full costs taking account of depreciation, many will still be making operating profits. Nevertheless, the charts above show the vulnerability of producers to a rise in costs, most likely due to higher feed prices. If costs were to increase to anything like the levels of 2011 or 2012-13, producers would face substantial losses. This leaves the industry in a vulnerable position and emphasises the importance of finding ways to manage the risks associated with rising feed costs.

UK Market Analysis

Pig prices – lessons from history

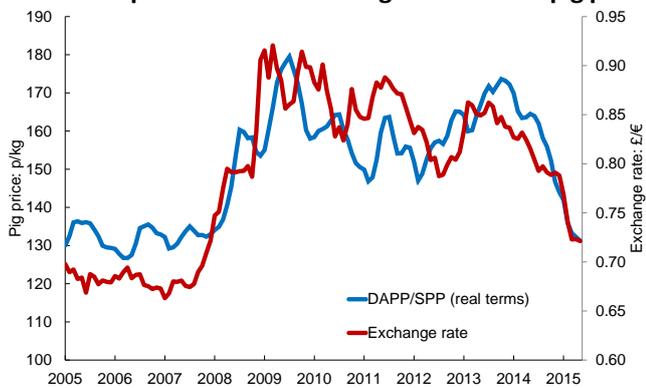
GB pig prices have recently dropped to their lowest level in over six years. However, before that time, prices had rarely reached this level. The average SPP for May was just over 131p/kg. This is the lowest recorded since this series began in April 2014 and the last time the DAPP (which had a similar price level to the SPP) was that low was in December 2008. However, prior to mid-2008, prices had been below this level for over a decade. So, are current price levels really that bad?

Of course, to some extent that depends on how they compare to input costs, which are currently also low relative to recent years. However, it is also worth considering the effect of general inflation. In real terms (i.e. adjusting for inflation), May's price was the lowest since April 2007 but prices were regularly lower in the preceding years and particularly in the late 1990s. Interestingly, in real terms prices reached a modern peak in 1996 at over 220p/kg, well above the levels reached in the more recent peaks in 2009 and 2013.

One of the factors influencing pig price levels is the exchange rate between the pound and the euro. A strong pound makes imported pig meat cheaper, which inevitably puts pressure on domestic prices. In addition, it makes UK exports less competitive on the EU market. Although international markets are generally priced in US dollars, UK product is competing against meat from the rest of the EU here too. That means that either export volumes or prices will be lower in sterling terms, again hitting farmgate prices.

Comparing GB pig prices with the exchange rate confirms a relatively close relationship, at least in the medium-term. The relationship is even stronger when prices are adjusted for inflation. Therefore, it appears that it is no coincidence that the last time the pig price was as low was also the last time that the pound was so strong against the euro.

Relationship between £:€ exchange rate and GB pig price



Source: AHDB, European Central Bank

While the exchange rate clearly has a strong influence on the pig price, it is not the only factor. Ultimately, price levels will always be determined by supply and demand factors. The exchange rate is influential because it impacts on supply levels via imports and

demand via exports. Information about long-term trends in supply and demand can be found in the recently-updated [MeatStats tables](#) published by AHDB.

These show, for example, that UK pig meat production has been rising over the last decade. The supply level was initially added to by increasing imports, although they have levelled off in recent years. The rise in supplies available has been balanced to a large extent by rising exports, which are now approaching the record levels of the late-1990s, although 2015 may be a more difficult year due to the exchange rate.

All this means that supplies available for consumption on the UK market have been broadly stable in recent years but have been subject to some fluctuations from year to year. Most of this product will have found a market of some kind, since the industry can't afford for much to be wasted. However, the price will depend, in part, on demand from the highest-value market, retail, rather than foodservice or manufacturing, which are usually more price sensitive.

Therefore, it is worth comparing trends in supply availability with retail sales of the major unprocessed or lightly processed pig meat products (pork, bacon and ham). Since 2010, Kantar Worldpanel data for retail purchases of these products have been equivalent to around 45% of available supplies (adjusted to carcass weight equivalent and allowing for Northern Irish consumption). This is a higher share than in the preceding years, when pig prices were lower in real terms, when it was typically around 40%,

Retail share* of UK pork supplies compared with pig prices



* Pork, bacon and ham retail purchases as % of available supplies
Source: AHDB, Kantar Worldpanel

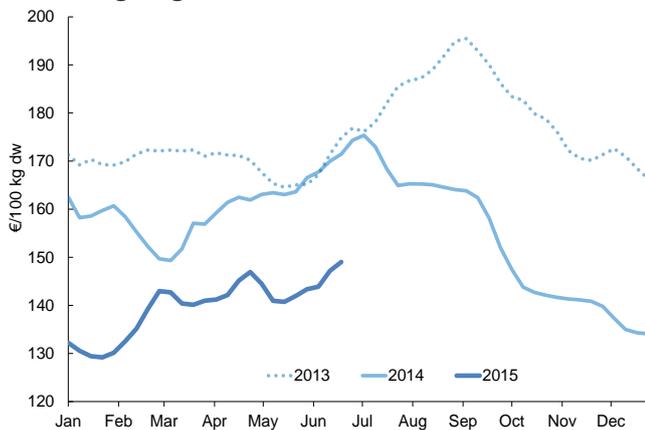
Last year, the retail share of supplies dropped slightly to 44% but was falling throughout the year. In the year to the end of March 2015, it was down to around 42% as supplies rose but retail sales fell. This share is similar to 2008 and may well fall further unless retail sales respond to lower pig prices.

History tells us that the current combination of a weak euro and retail demand running below supply goes a long way to explaining why pig prices are low. It is likely that one or both of these factors, neither of which is easy to affect, will need to change for prices to recover significantly.

EU Market Snapshot

Having fallen during early May, EU pig prices began to recover later in the month and into early June. By week ended 21 June, the average price had risen to €149 per 100kg, its highest level since last September. This was due to better weather in Northern Europe encouraging sales of grilling cuts, along with some short-term tightening of supplies.

EU Average Pig Reference Price



Source: EU Commission

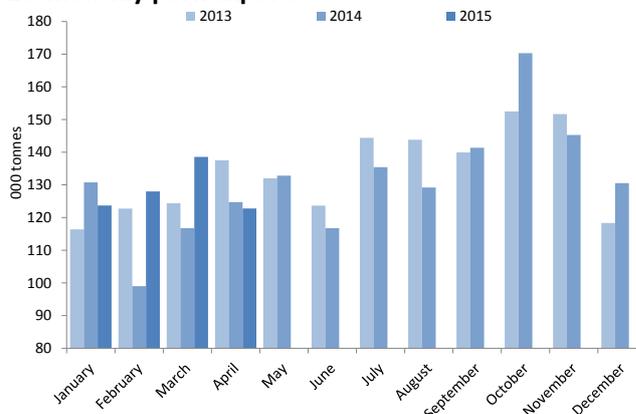
However, the market remains finely balanced and the return of more unsettled weather or a modest increase in supplies could put downward pressure on prices. Despite the recent price increases, the average remains more than €20 down on a year earlier and the summer peak looks set to be significantly lower than in recent years. The recent gains mean that the gap between UK and EU prices has fallen to 24p/kg, the smallest difference since September 2014.

The latest four weeks saw prices rise by between €6 and €9 per 100kg in most major producing Member States. For example, German prices were up €6, although they fell back slightly in the latest week, while Spanish prices rose by €8. Dutch prices rose even more rapidly, with an increase of nearly €11 per 100kg during the four weeks. One exception to the rising trend was Denmark, where prices were more stable, only increasing in the final week of the period having fallen in the previous two weeks.

Having been relatively strong in the first quarter, EU pork exports slipped back somewhat in April. Volumes were 2% lower than a year earlier and 11% down on April 2013, before the Russian ban. The figures would have been substantially worse were it not for strong sales to China, with shipments up by nearly two-thirds compared with a year earlier. Most other major markets took less EU pork than in April 2014, including some, such as South Korea and the Philippines, which had previously been growing strongly. The unit price of EU exports in April was 3% lower than a year earlier in euro terms, meaning that the value of the trade was down 4% on the year, at €285 million.

China was also the main growth market for EU offal exports in April, with shipments up by half. This was enough to mean that volumes were up overall, despite the other major markets taking less. Somewhat higher unit prices meant the value of offal exports was up 18% to a fraction under €100 million during the month.

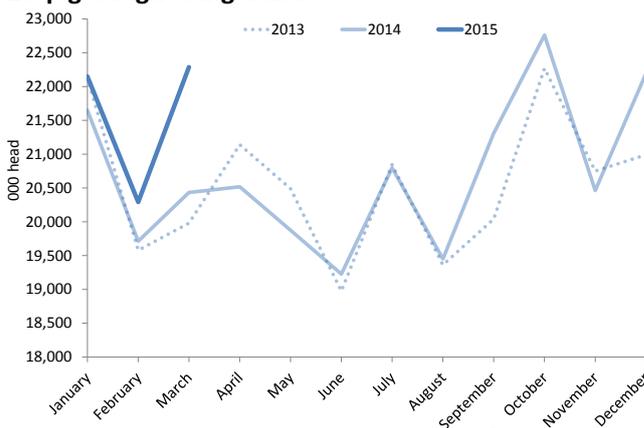
EU monthly pork exports



Source: Eurostat, GTIS

The number of pigs slaughtered across the EU in the first three months of 2015 was almost 5% higher than a year earlier. At 64.7 million head, almost 3 million more pigs were killed than in the first quarter of 2014. The earlier Easter may have contributed to this and particularly to the 9% rise in March throughputs. With carcase weights slightly heavier, the percentage increase in March pig meat production was into double figures, although there was one more working day than in March 2014. Output during the month topped 2 million tonnes, a record figure for March.

EU pig slaughtering trends



Source: Eurostat

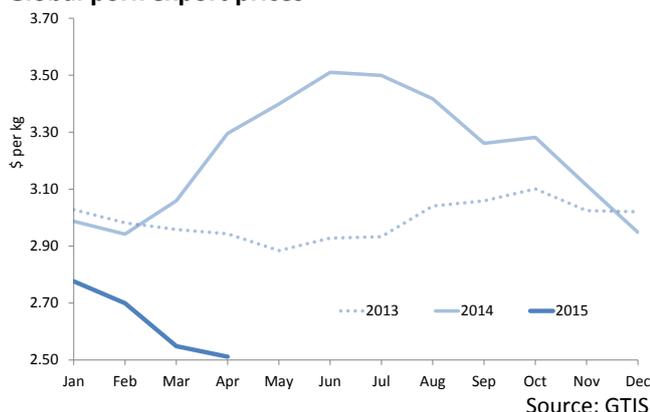
All of the major producing Member States increased production in early 2015. The most notable growth was in Spain, where throughputs were up 8% and production 12% on the back of strong herd expansion last year. Poland was one of several Eastern Member States whose production was up strongly, in the Polish case by 7%, as herds have now stabilised following several years of declines and productivity is improving. Denmark, Germany, the Netherlands, Italy and Belgium also recorded significant growth but French production was little changed.

Global Market Analysis

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.

Global pork export prices



Source: GTIS

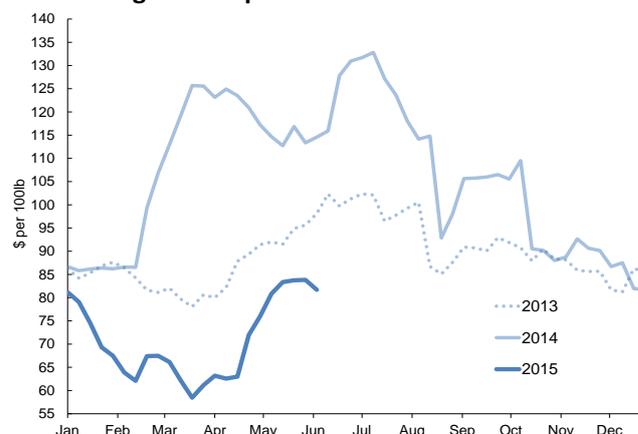
Although prices for EU exports didn't reach the same heights as those from the Americas, the weakening euro has ensured they have still fallen in dollar terms since last summer. The average EU export price dropped from around \$3.30 per kg in mid-2014 to \$2.52 in April 2015 but in euro terms, this represented 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.

US lean hog futures prices



Source: CME Group

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.

Global Market Analysis

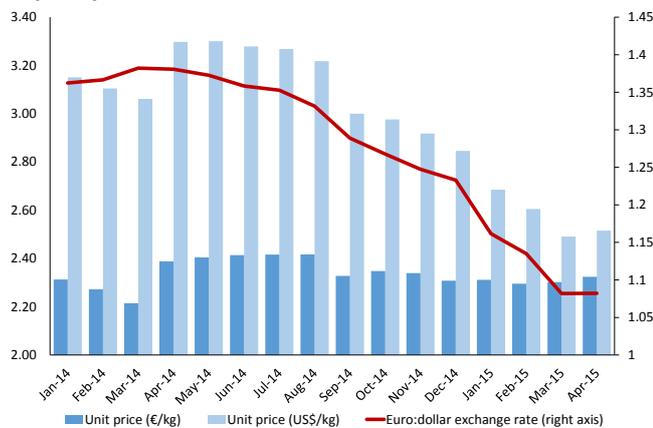
Smaller markets remain important to EU exports

It is now a year and a half since Russia implemented the ban on imports of pork from the EU following the discovery of African Swine Fever in Poland and the Baltic states. This has had a huge effect on the EU pork market, with new markets needing to be found for products previously destined for Russia. Despite this, exports fared relatively well after the loss of the Russian market in 2014, with the exception of some by-products such as fats. Total fresh and frozen pork exports from the EU were down just 2% compared to the previous year and were actually above levels seen in 2012. Much of this excess went to well established markets in the Far East. However, increased volumes going to smaller, non-traditional markets were also a significant factor in maintaining the volumes shipped.

In December last year, we wrote about the increasing exports to these smaller destinations and questioned their long-term sustainability. We forecast a more difficult export environment for the EU in 2015 as shipments from the US were set to increase following its recovery from PEDv. In addition, production in some importing countries was also forecast to rebound following their own cases of PEDv or other diseases, reducing demand for imports.

However currency factors have been going in favour of exports from the EU. The current weakness of the euro and strength of the US dollar are increasing the competitiveness of products from the EU over those from the US. At the same time, industrial action at west coast ports in the US slowed exports to Asia and Oceania, causing a backlog which is still to be sorted despite the industrial action coming to an end.

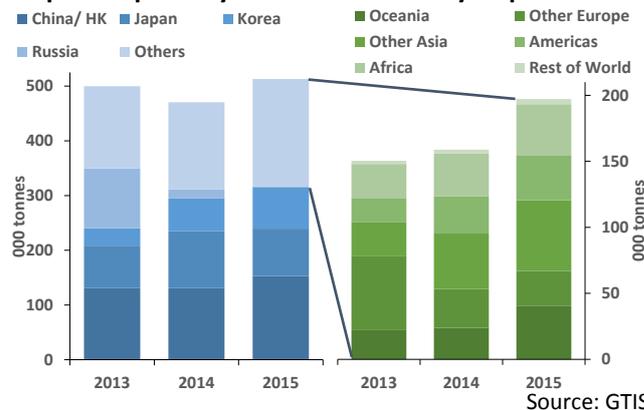
Impact of euro:dollar exchange rate on EU pork export prices



As a result, despite the apparently bleak outlook for exports at the start of the year, shipments from the EU in the first four months of 2015 have actually increased by 9% to 513,000 tonnes. This is even higher than exports in 2013, when the EU was still shipping pork to Russia. This increase was in no small part down to the ongoing strength of exports to non-traditional markets, especially

as volumes going to Japan, traditionally one of the EU's largest pork markets fell by 16% during this period.

EU pork exports by destination January - April



One of the largest areas of growth for EU exports in 2014 was smaller markets in Asia, outside the established markets of China/Hong Kong, Japan and Korea. The largest of these were the Philippines, Singapore and Taiwan, all of which traditionally imported most of their pork from North America. These should have been the sort of markets at risk as the impact of PEDv declined. However, EU exports to all three increased in the first four months of 2015. Volumes going to the Philippines rose by 5% to 22,500, making it the seventh largest market for EU pork. Shipments to Taiwan almost doubled, reaching 11,400 tonnes, and those to Singapore were up by 19% to 9,600 tonnes.

The largest non-traditional growth market for EU exports in the first four months of 2015 was Australia, where 30,800 tonnes were exported, 60% more than the same period in 2014. This made it the fourth largest market for pork from the EU, up from seventh in 2014. Large increases were also seen in shipments going to New Zealand and South Africa, where volumes were up by 100% and 75% respectively.

Pork exports from the UK were actually down in this period but the majority of this fall came from intra-EU trade or established markets like Greater China. Volumes going to many of the smaller emerging markets actually increased, showing their potential importance to UK exporters as well.

The picture for the EU contrasts to that seen in the US. Despite there being increased volumes of pork on the market, its exports in the first four months of the year were back 8% year on year. Excluding the leading market, Mexico, which took more US pork, volumes were down 15%. US traders will, of course, be keen to win back some of these sales when conditions allow. However, if the dollar remains strong this could prove challenging. Nevertheless, EU exporters will need to build strong relationships in these new markets to ensure that they continue to provide good export opportunities in the longer-term.

Feed Market

Weather and crop quality have dominated market sentiment over the last month, although high old crop stocks around the world and generally good growing conditions have kept a lid on prices. Wet weather in the US and ensuing quality concerns have provided support to global wheat prices. On the other hand, dry weather in the EU and Canada is reducing expected yields. Despite the 'lid' on prices, grain markets have seen several rallies in price since mid-May, largely driven by these new crop weather issues.

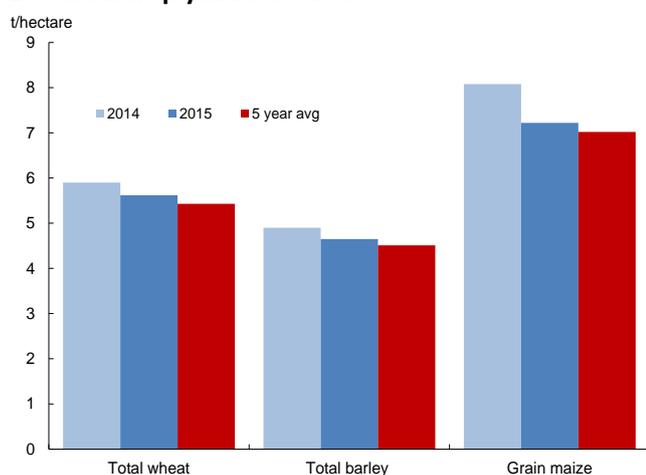
After peaking at £129.50/t on 9 June, the Nov-15 UK feed wheat futures contract closed at £125.55/t on 25 June, up £3.05 on the start of the month. Chicago Maize prices dipped mid-month with the Dec-15 contract price reaching \$143.11/t before rebounding to \$154.43/t on 25 June.

Initial harvest data from the US has raised fears surrounding wheat quality. Based on the limited number of samples available, Hard Red Wheat average protein content could be the lowest since 2010 and specific weights the lowest for at least 13 years. Substantial rainfall in the past month or so has promoted the development of yellow rust, which is thought to have contributed to the lower specific weights.

In the EU, recent dry weather has resulted in a downward revision for Germany's wheat output by its association of farm cooperatives. In the latest forecast, the association pegged wheat output at 25.8Mt, down from 26.9Mt forecast in May, and around 7% below last year's level.

In the latest MARS Bulletin from the EU Commission, 2015 yield forecasts for EU-28 for total wheat, barley and grain maize are lower than in 2014. Total EU wheat yields in 2015 have been pegged at 5.62t/ha, down 4.8% year-on-year, although still 3.3% above the current five year average. For the UK, the total wheat yield forecast is 8.14t/ha, down from 8.58t/ha in 2014 but remaining above the five year average.

EU cereal crop yield forecasts

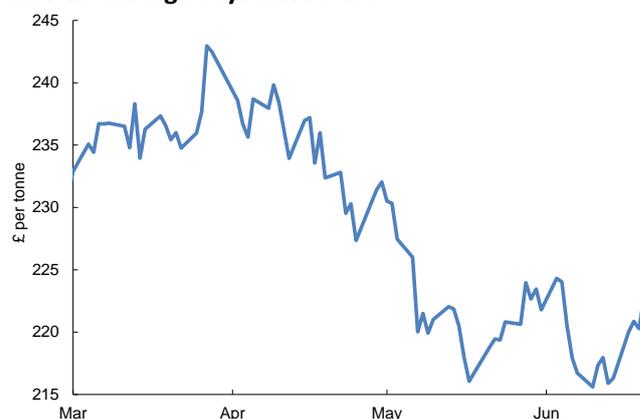


Source: EU Commission MARS bulletin

The overriding picture for the oilseed market is the large global soyabean stocks expected to be carried into

2015/16. However, rallies over the month have been driven by tightness in old season rapeseed supplies and the emergence of new crop concerns. Nov-15 US soyabean futures prices rose \$28.11 from 1 June to 25 June closing at \$359.23/t. Rapeseed prices have followed a similar trend. The Nov-15 Paris rapeseed futures contract closed at €391.25/t on 25 June after gaining €13.25 since 1 June.

Nov-15 Chicago soybean futures



Source: AHDB Cereals and Oilseeds

Soyabean futures felt the force of tropical depression 'Bill' causing flooding across some US soyabean production states. Although planting was nearing completion nationally by mid-June, many fields were left too wet to continue sowing and this triggered support for US soyabean futures. In response, private analysts firm Informa Economics has cut its expectations for the US soyabean area by around 170Kha to 35.1Mha. Updated area estimates from the USDA on 30 June will be hotly watched by the market to provide further insight.

Rapeseed futures prices witnessed sharp gains, fuelled by damage to Canadian canola (rapeseed) crops by frosts. Some sources indicated that around 4-5% of the total Canadian canola area would have to be replanted. The planted area has already been reduced by unfavourable economics for the crop and with dry conditions not favouring newly planted crops, further cuts to the area may yet be seen.

Tighter rapeseed supplies in Europe look likely in the year ahead. Yields are expected to be lower as a result of continued dry weather conditions. The latest MARS report suggests that soil moisture levels in parts of Germany are approaching critical levels and without rainfall in the near future, yield decreases will be inevitable.

Against recent trends, the Brazilian soyabean area could fall in 2015/16 as a result of harder to source and more costly credit. Brazilian agriculture consultancy Agroconsult believe that marginal areas could be unused next year, with a smaller overall area expected for the first time in over a decade. These reports, however, go against many other forecasters, with the general consensus suggesting that the soyabean area will increase slightly again next season.

In Brief

New era as AHDB Pork brand replaces BPEX

From earlier this month, the pig and pork-related activity of the Agriculture and Horticulture Development Board (AHDB) will be branded as AHDB Pork. This replaces the previous BPEX brand as part of wider changes to branding across the organisation. Our new brand reflects AHDB's aim of looking, feeling and behaving as one organisation, delivering better value for our levy payers across all sectors. Other than the branding, you should not notice any difference in the services being provided by AHDB Pork, including Market Intelligence.

Polish breeding herd falls

The Polish pig breeding herd on 1 March 2015 was 4% smaller than a year earlier. In the last couple of years, the number of Polish sows appeared to have stabilised, having fallen steadily since EU accession. Therefore, the latest drop may be a sign that low pig prices are starting to have an impact, although ASF may have contributed too. If this kind of fall is replicated in other member states, it could lead to tighter supplies later in the year. While the breeding herd is declining, the overall Polish pig herd continued to grow, with total pig numbers up 3% on the year.

Further decline in organic pig production

New figures from Defra show a third consecutive annual decline in the number of organically farmed pigs in the UK in 2014. At 28,300 head, the latest figure is the lowest in records back to 2003 and is 6% down on the previous year. Organic pigs now make up only 0.6% of the national herd, the lowest proportion among any of the major livestock species. The situation for pigs reflects the general downward trend in organic farming. The amount of fully organic land was at its lowest level since 2007. Similarly, the number of organic producers and processors has fallen to around 6,000 from a peak of nearly 8,000 in 2008.

Danish exports increase in early 2015

In the first three months of 2015, Danish pork exports increased by 6% year on year to 292,000 tonnes but the total value fell by 5% to DKK4.3 billion (€580 million). Intra-EU trade increased its share of the total, with 74% of all shipments. Exports to non-EU markets increased by just 1%, with a decline in volumes going to the largest such market, Japan. Live pig exports were up by 15%. Germany remained the largest market, with

numbers up by 9%, but Poland was the major growth market, with shipments increasing by over a third.

German exports up, imports down

German pork exports started 2015 strongly, with total volumes in the first three months up 7%. Despite volumes increasing to 438,000 tonnes, the average price fell 5% so the total value of exports rose by only 2% to €892 million. The EU remained the primary market for German pork but, outside the EU, exports to China rose sharply. While exports increased, imports in the first three months of the year fell 12% to 224,500 tonnes, with shipments from Belgium and the Netherlands driving this fall.

Bans and currency hit Russian imports

In the first three months of 2015, Russia imported less than half as much pork as in the same period last year. This was largely due to the ban on imports from the EU, Canada and the US. Volumes were less than 30% of their level in the first quarter of 2013, before the initial ban on EU pork. Brazil was the major supplier but even it shipped 22% less pork to Russia. Despite further increases in domestic production, the unit price of imports which was up by over 60% in rouble terms.

Increase in production supports Irish pig meat exports

During the first quarter of 2015, Ireland exported 37,000 tonnes of pork. This was a 12% increase on 2014, bringing in €80.7 million. However, the average export price was down 5%, reflecting the weak EU pig meat market. The increase in exports can be mainly attributed to production being up 13%. The UK continued to be the main recipient, taking nearly 40% of total exports. Non-EU trade was only up 2% as the Russian import ban and a decrease of 93% in shipments to Japan largely offset gains elsewhere.

Global food prices hit lowest level since 2009

The May food price index from the UN FAO was down 21% from a year earlier. This is its lowest level since September 2009. Cereals and dairy products were responsible for much of last month's decline. Falls were also seen in the meat index but not to the same extent as the other markets. After declining since June 2014, pig meat prices were relatively stable in April and May. Poultry prices have also suffered from import restrictions placed on US products following major outbreaks of highly infectious avian influenza.

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

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