

United Kingdom Pig Meat Market Update

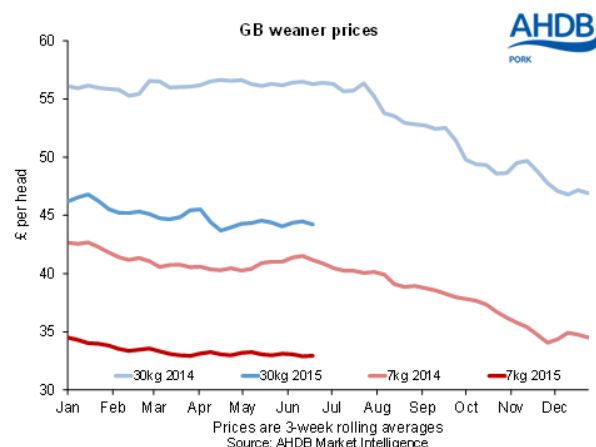
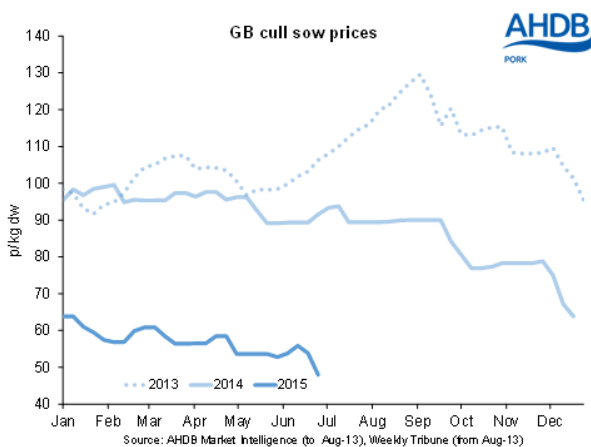
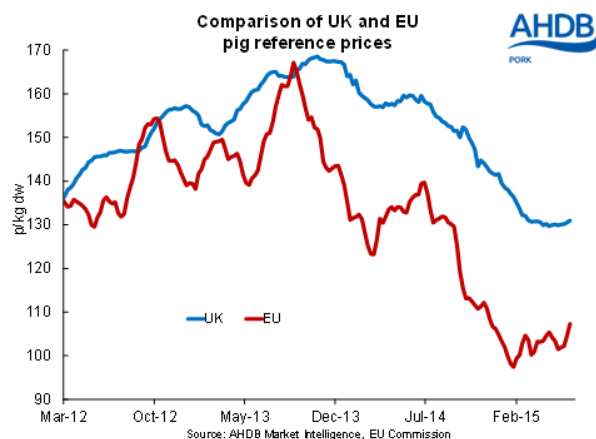
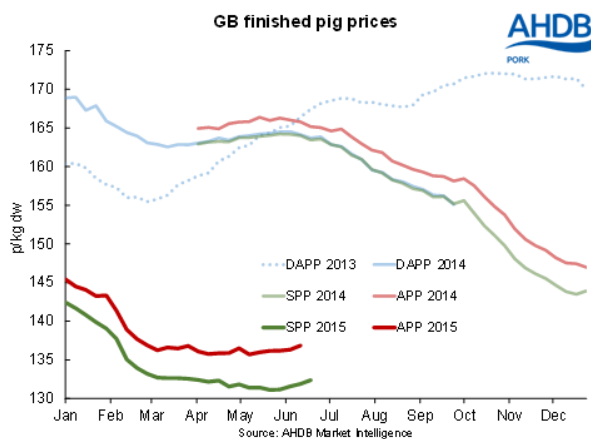
July 2015



UK PRICES

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.



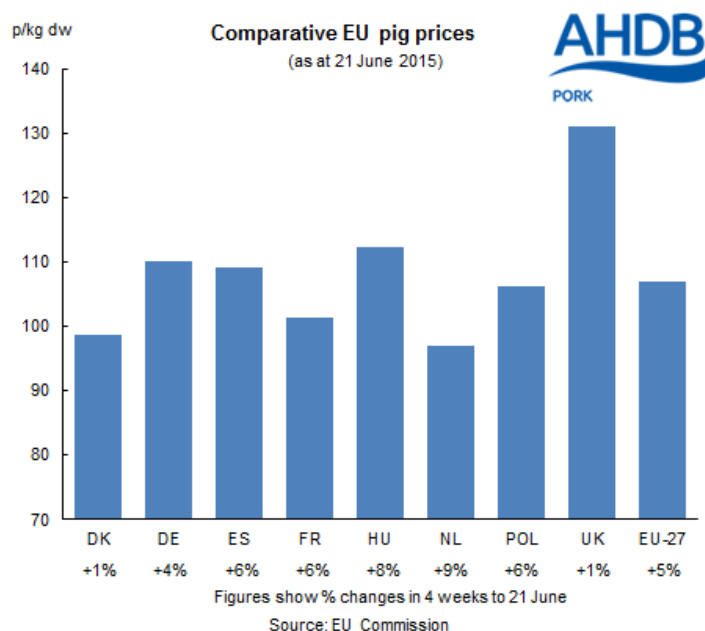
Carcase weights continued to fall seasonally during May and early June but remained above last year's levels. The average weight of pigs in the APP sample during May was 80.55kg, around 300g heavier than a year before, although the gap does appear to be falling. Standard pig weights remained higher,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

EU PRICES

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.

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.

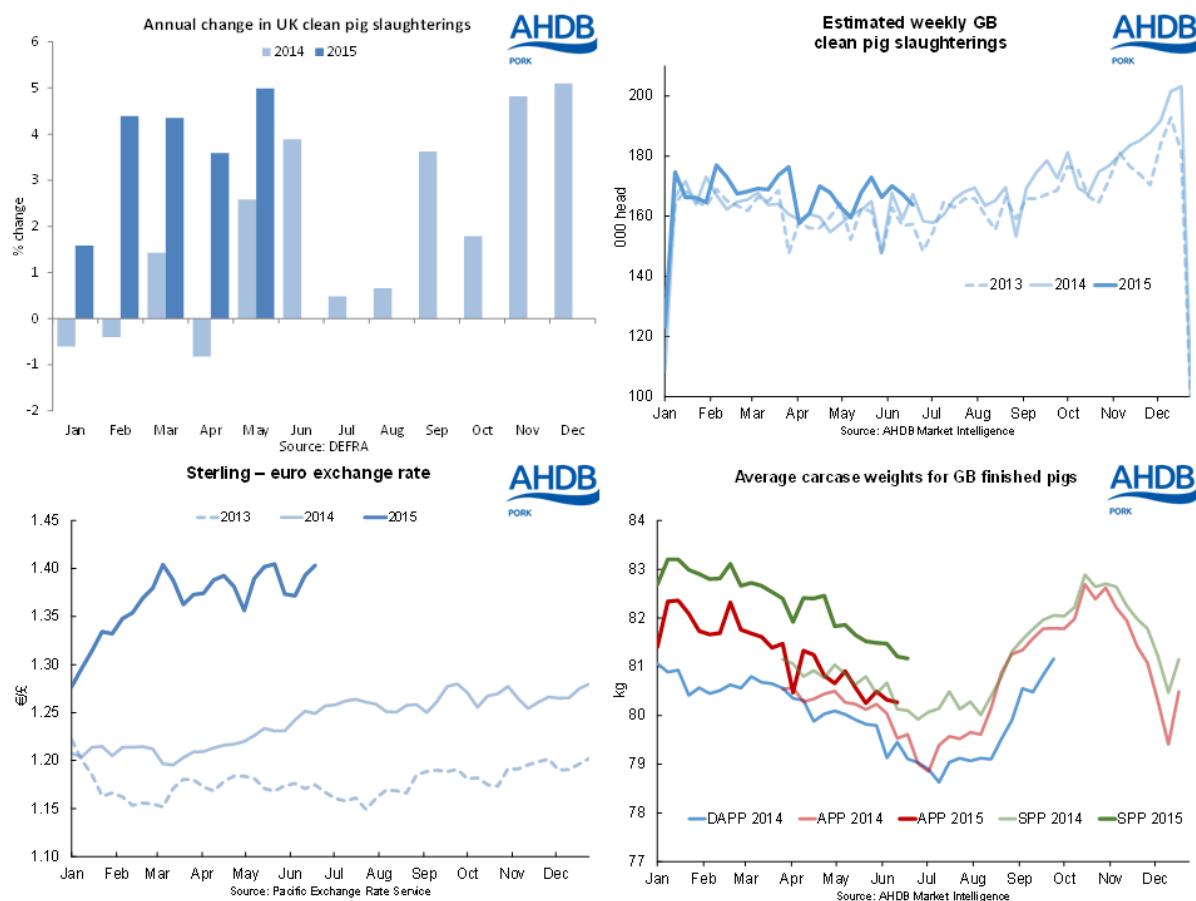


The latest four weeks saw prices rise by between €6 and €9 per 100kg in most major producing Member States. For example, German prices were up €6, although they fell back slightly in the latest week, while Spanish prices rose by €8. Dutch prices rose even more rapidly, with an increase of nearly €11 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.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

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.

As well as the ongoing increase in pig numbers, carcass 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.



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.

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 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.

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.

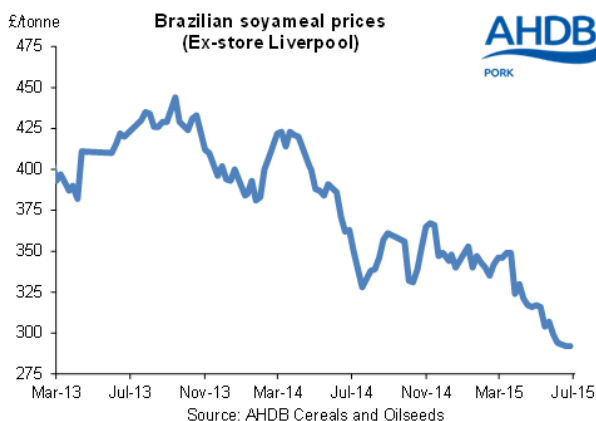
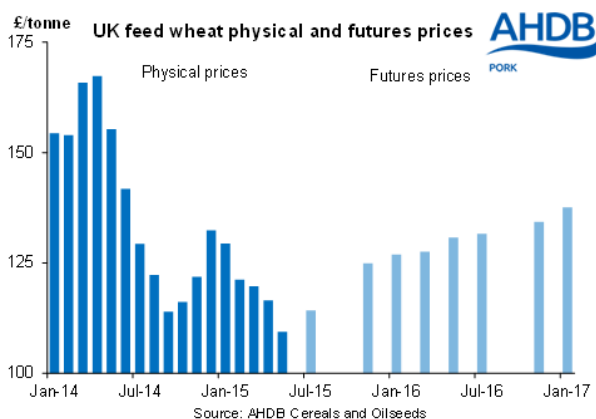
After peaking at £129.50/t on 9 June, the Nov-15 UK feed wheat futures contract closed at £125.55/t on 25 June, up £3.05 on the start of the month. Chicago Maize prices dipped mid-month with the Dec-15 contract price reaching \$143.11/t before rebounding to \$154.43/t on 25 June.

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.

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.



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.

CONSUMPTION

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.

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.

Trends in retail meat purchases (period ended 24 May 2015)

	4 weeks 2015/14			12 weeks 2015/14			52 weeks 2015/14		
	Q	E	P	Q	E	P	Q	E	P
% change compared with a year earlier									
Fresh and Frozen Meat, Poultry and Bacon	+2	-2	-4	-0	-4	-3	-1	-2	-1
Pork	-3	-8	-5	-7	-12	-6	-3	-8	-5
<i>Belly</i>	-13	-11	+2	-10	-10	-0	-6	-7	-1
<i>Chops/Steaks</i>	-10	-11	-2	-12	-14	-3	-8	-10	-3
<i>Leg Roasting Joint</i>	-4	-12	-9	-1	-16	-15	+6	-3	-8
<i>Loin Roasting joint</i>	-20	-28	-11	-13	-18	-5	-5	-9	-4
<i>Shoulder Roasting joint</i>	+37	+36	-0	+8	+3	-5	+4	-4	-8
<i>Marinades</i>	-8	-12	-4	-6	-8	-3	-2	-8	-5
<i>Ribs</i>	-11	-10	+1	-12	-10	+3	+0	-1	-2
<i>Mince</i>	+8	+3	-4	-0	-6	-6	+12	+9	-2
Bacon	-0	-4	-3	-3	-5	-2	+0	-0	-1
Beef	-1	+1	+2	-2	-1	+0	-0	+1	+2
Lamb	-7	-7	-1	+4	-1	-5	-5	-5	+0
Poultry	+7	+1	-6	+4	-2	-6	+2	-2	-3
Processed products									
Pork Sausages	-0	-0	+0	-1	-1	+0	-0	-1	-1
Fresh Pre-packed Pork Pies	-3	-2	+1	-3	-1	+2	+0	+1	+1
Fresh Pre-packed Sausage Rolls	+4	-2	-5	+3	-3	-6	-1	-4	-3
Pork Sliced Cooked Meats	-3	-8	-5	-2	-5	-3	-2	-3	-1
Pork Chilled Ready Meals	+13	+10	-2	+11	+8	-2	+10	+10	+0

Q = quantity purchased, E = expenditure, P = price
Source: Kantar Worldpanel

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The United Kingdom pig meat situation and outlook is analysed in more detail in "Pig Market Trends", published monthly. For further information, [click here](#).

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