

In this Issue

UK outlook

Latest AHDB forecasts for UK pig meat supplies show that the increase in domestic supplies which has been apparent over the last year is likely to continue. The overall supply situation will depend on whether the recent slowdown in imports continues. If it does, the growth in available supplies this year should be slower than last year, with a further slowing of growth forecast in 2016. Read more about the outlook for UK supplies and implications for the pig market on **page 4**.

Variation in producer returns

Each quarter, AHDB Pork publishes estimates of the cost of pig production. The latest figures showed that, on average, producers were losing money in early 2015, for the first time in 18 months, and that both breeders and finishers were back in the red. However, these averages do not give any indication of how much returns vary between producers. New analysis, reported on **page 5**, looks at the difference physical performance can make to producer returns.

EU consumption

As with all commodities, prices for pigs are largely determined by the balance between supply and demand. In the case of pigs, however, it is relatively easy to track supply levels but more difficult to measure demand. Using a mix of sources, though, we can get an understanding of how the two relate to one another and the implications for prices. Turn to **page 7** to read our latest analysis of consumption trends and retail sales in the major EU markets.

Ireland

The UK's nearest neighbour, Ireland, has a relatively small pig herd, with fewer than 150,000 breeding sows. However, the country's small population means that it is still a significant pork exporter. Given the UK's proximity, much of Ireland's exported pig meat ends up on its market; Ireland is the fourth largest supplier overall and the largest source of processed imports. The Irish pig herd has been in expansionary mode lately but, with current price levels below production costs, production expansion may come to an end soon. Read more about recent developments in the Irish market and implications for the UK on **page 8**.

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Key data

	Jun-15	Change since May-15	Change since Jun-14
Average GB carcass weight - kg	80.14	-0.41	+0.29
30kg weaner price - £/head	44.23	-0.04	-12.16
7kg weaner price - £/head	32.92	-0.17	-8.40
GB APP (Euro-spec) - p/kg dw	136.88	+0.86	-28.63
GB SPP (Euro-spec) - p/kg dw	132.15	+0.87	-31.66
EU Reference price - €/100kg dw	146.61	+4.59	-24.26
UK Reference price - €/100kg dw	181.48	+1.17	-16.29
UK weekly clean pig kill - 000 head	203.1	+6.3	+9.8
UK weekly pig meat production - 000 tonnes	17.1	+0.5	+1.0
UK pork imports - 000 tonnes*	27.3	-0.6	-3.5
UK bacon imports - 000 tonnes*	18.4	-1.6	-2.6
UK pork exports - 000 tonnes*	12.8	-1.8	-1.8
Retail pig meat sales - 000 tonnes†	53.5	-1.0	+0.6
LIFFE feed wheat futures - £/tonne	114.50	+5.14	-27.31
CBOT Soyameal futures - \$/tonne	321.05	+12.18	-148.93

* Figures relate to May 2015

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 21 June 2015

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

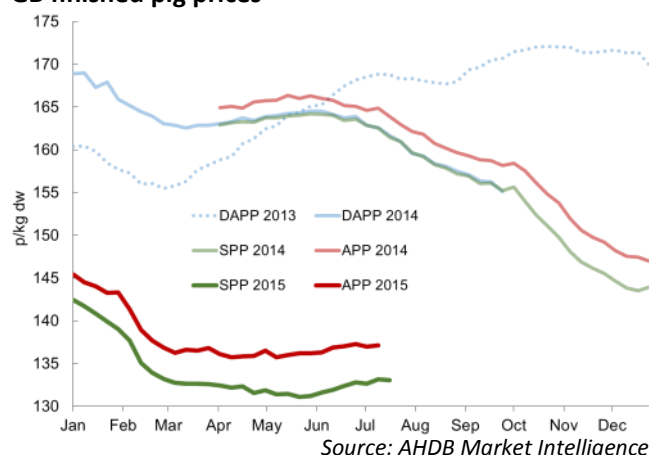
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UK Market Snapshot

After a year of steady declines, GB finished pig prices finally began to increase again in June. The monthly average EU-spec APP was just under a penny higher than the previous month at 136.88p/kg. This was the first monthly rise since last May and meant that the gap between this year's price and last year's reduced to less than 29p. The market remains largely balanced, with the slight firming of prices reflecting a modest tightening of supplies. With supplies expected to remain relatively plentiful (see page 4) and the euro remaining weak, however, it wouldn't take much for the direction of the market to change again. Indeed the APP fell in the first week of July, although recovering slightly the following week to stand at 137.15p/kg.

The average SPP also increased by just under a penny in June to 132.15p/kg. Prices for standard pigs have fallen slightly more than average over the last year, with the year-on-year drop nearly 32p. Slight rises in early July took the price back above 133p for the first time since February and the annual fall was down to a little over 28p.

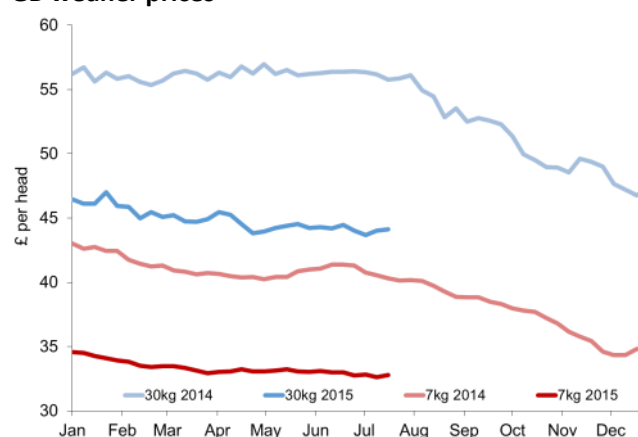
GB finished pig prices



Carcase weights continued to follow the normal seasonal trend in June, with the average weight in the APP sample dropping by around 400g compared with the previous month, to 80.14kg. A similar drop was recorded in the SPP sample. This kept weights above year earlier levels, particularly for standard pigs. However, the very hot weather in early July slowed growth rates meaning that weights dropped back close to their level in July 2014.

With the finished pig market showing no great movement, it is little surprise that the weaner market was also largely stable. The average prices for weaners in June were only a few pennies lower than in May, continuing the recent trend. Indeed the June averages for both 7kg and 30kg weaners were less than a pound lower than in February. Nevertheless, both series were significantly down on a year earlier. The 7kg average of £32.92 per head was over £8 down on June 2014, while the 30kg price was £12 lower at £44.23 per head. Relatively low feed prices are preventing prices falling even further but the future direction of these quotes will depend on developments in the finished pig market.

GB weaner prices

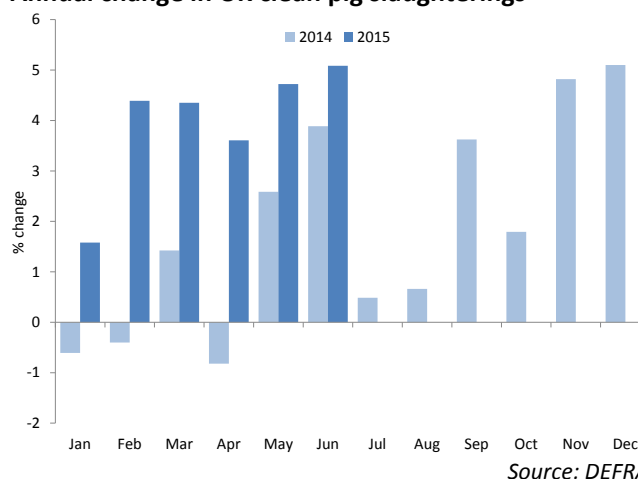


Source: AHDB Market Intelligence

Reports suggest that cull sow prices have fallen even faster and are at their lowest level for many years. With most UK sow meat exported, the price is driven by EU prices. These have been low, reflecting the weak EU pig market, and GB prices have been further suppressed by the weak euro.

The strong growth of UK pig meat production continued in June, with output at 68,500 tonnes, up by 6% compared with a year earlier. This was the 22nd consecutive month with production rising year on year and the fifth straight month with growth of 5% or more. The main driver of the increase in production was a 5% rise in clean pig slaughterings, which totalled 812,500 head during the month. A similar rate of increase was seen in England and Northern Ireland, while Scottish throughputs were up by a slightly smaller 2% compared with June 2015.

Annual change in UK clean pig slaughterings



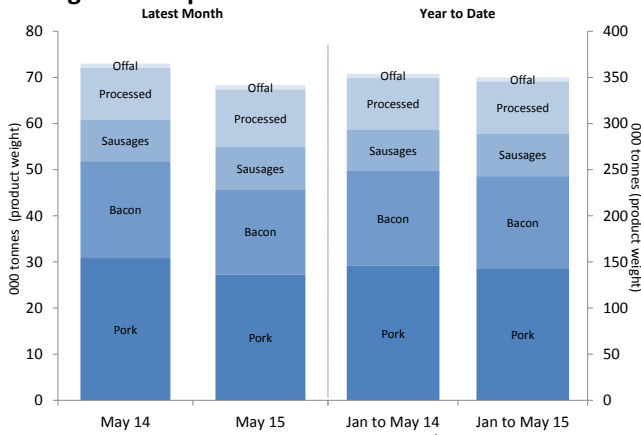
Clean pig carcase weights averaged 80.5kg during June. This was the lowest average since August 2014 but was still over half a kilo up on a year earlier, contributing to the increased production. Also adding to output was a 7% year-on-year rise in sow slaughterings, the first increase in over a year. This may be just a case of cullings returning to normal after a period of low throughputs. However, given that cull sow prices are still very low, it could be the first sign of producers feeling the effect of the current negative margins.

UK Market Snapshot

Developments in the coming months will make it clearer whether this marks a significant change of direction or not.

UK imports of pork and bacon in May were lower than a year earlier for the second month in a row. Pork shipments were down by 12%, at 27,300 tonnes, the lowest figure at this time of year since 2002. With consumer demand relatively low, this suggests that retail buyers were able to source more of the pork they required from the increased supplies of UK pigs, even though imported pork was relatively cheap; at £1.70 per kg, prices were down 15% meaning the value of pork imports was down by a quarter. The three main suppliers, Denmark, Germany and the Netherlands all sent less pork to the UK, although there were increases from Belgium, Spain and Poland.

UK Pig Meat Imports



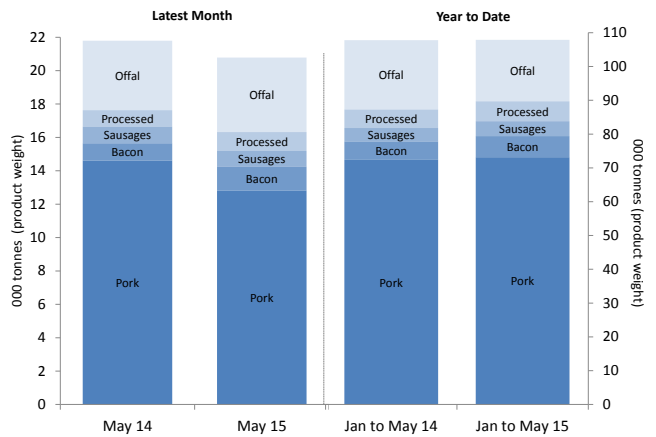
Source: Her Majesty's Revenue & Customs

Bacon imports also fell by 12%, to 18,400 tonnes, with the largest fall being in Danish supplies. Again lower prices meant the fall in value terms was even larger. There were increases in processed imports, with 3% more sausages and 11% more other processed products entering the UK, with growth driven by supplies from Poland.

UK pork exports also declined in May, compared with last year, being down 12% at 12,800 tonnes. Reported problems with imports to Hong Kong meant shipments to that market were sharply lower. They may have also contributed to a drop in exports to Denmark and the Netherlands, likely for re-export. Trade with Ireland and Germany, however, was higher, with the former unusually being the leading market during the month. With unit prices down 9%, the value of exports was 20% lower than in May 2014, at £13.3 million.

Although much smaller in volume, exports of processed and cured pig meat continued to perform well in May, while there was also growth in offal shipments. These were up 7% year on year in May, largely due to a strong recovery in volumes sent to other EU countries, particularly the Netherlands. Exports to China/Hong Kong were down slightly, as were those to some other Asian markets.

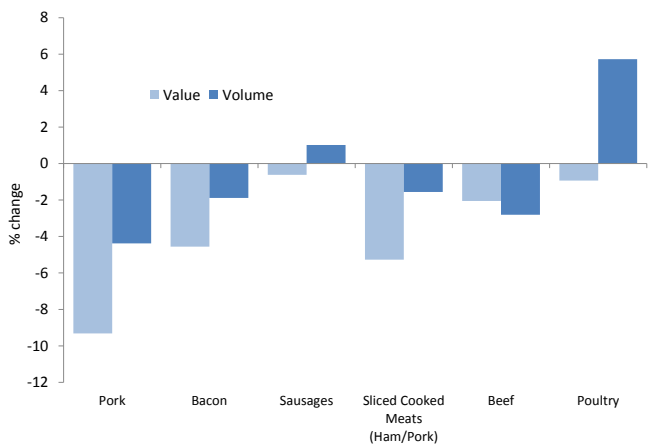
UK Pig Meat Exports



Source: Her Majesty's Revenue & Customs

Pork retail sales remained down year on year in both volume and value terms in the 12 weeks ending 21 June 2015, according to Kantar Worldpanel. The declines came across most cuts, with only pork shoulder and loin joints providing growth. This comes as customers switch led away from fresh pork to fresh chicken and chilled ready meals, with fresh chicken prices having fallen more than fresh pork prices over the last year.

Annual percentage change in retail meat purchases (12 weeks to 21 June 2015)



Source: Kantar Worldpanel

As the biggest single component of the category, the decline in chops and steaks is still impacting overall performance. Roasting joints were down more in value than volume overall as average prices were lower. Loin recorded higher volume sales, as 12% more households purchased them and average prices were 4% lower year on year. Pork shoulder sales were also up, boosted by major promotional activity that started at the end of April, including a 4-week TV campaign that ran until the start of June. Volume sales for the 6 weeks to 7 June showed that the amount of fresh pork shoulder bought was up just over 19% year on year. Against a backdrop of 23% growth a year ago, mince sales fell back this year.

Meanwhile spend on bacon and ham were down more than volume, as base prices were reduced. Sausage sales were reasonably stable year on year, with the premium tier remaining in growth, aided by a drop in prices.

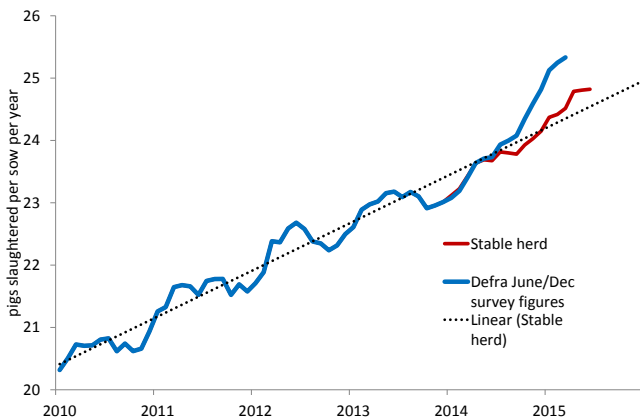
UK Market Analysis

Further supply growth likely to keep prices under pressure

Latest AHDB forecasts for UK pig meat supplies show that the increase in domestic supplies which has been apparent over the last year is likely to continue. The overall supply situation will depend on whether the recent slowdown in imports continues. If it does, the growth in available supplies this year should be slower than last year, with a further slowing of growth forecast in 2016.

Both the June and December surveys from Defra showed a decline in the UK sow herd, including in-pig gilts. The declines were large enough that they should have led to a levelling off or even a fall in clean pig slaughterings from the start of this year, if not before. In reality, slaughterings have continued to rise, with the rate of growth increasing, if anything. Even if the breeding herd was broadly stable last year, productivity has moved slightly ahead of the long-term trend. If the Defra figures are right, there has been an unprecedented rise in productivity. Since there is no other evidence to support this, it seems the sow herd has been more stable than indicated by the Defra surveys.

Impact on UK sow herd productivity of assumptions about herd size



Source: AHDB Market Intelligence

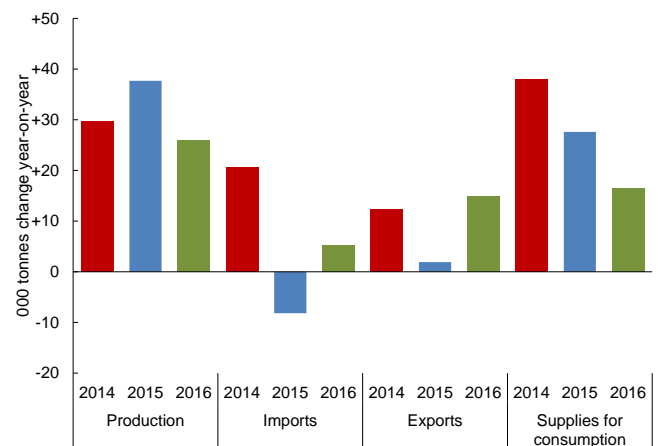
The broad stability of the breeding herd is also supported by the low level of sow culling over the last year, with very low prices contributing to this development. A recent upturn in slaughterings suggests a return to more normal levels of culling as the sow herd gets slightly older, which may be enough to ease concerns that lower replacement rates could affect productivity in due course. However, it could be an indication that low pig prices are starting to lead to some producers reducing their herds. Until this is clearer and in the absence of any dramatic feed or pig price movements, the assumption of a stable breeding herd remains the most likely scenario into next year.

With a broadly stable breeding herd, productivity continuing to improve and a further modest rise in carcase weights expected, both slaughterings and production are forecast to continue rising at around the rate seen recently for the rest of this year before possibly slowing down slightly next year.

Although the gap between UK and EU pig prices remains high by historic standards, there is still no sign it is leading to an increase in pig meat imports. Indeed, in the first five months of 2015, imports were actually down on last year. With retail buyers still apparently committed to UK sourcing wherever possible and with plentiful domestic supplies available, there is little reason to think that imports will rise much during the rest of this year. Little change is anticipated next year either, especially as it is possible that the gap between UK and EU prices could narrow if supplies tighten on the continent.

While the weak euro doesn't seem to have affected imports, it is making it harder for exports to compete with product from the rest of the EU. As a result, UK pig meat exports in the first five months of 2015 have been little changed from a year earlier, despite the increased output. Unless the pound weakens, this may remain the situation for the rest of the year. If the exchange rate does stabilise, some growth may be possible next year, particularly if the Chinese market opens for trotters later this year.

Actual and forecast trends in UK pig meat supplies



Sources: Defra, HMRC, AHDB Market Intelligence

Balancing all these factors, total supplies on the UK market are forecast to grow again this year, albeit at a slightly slower rate than in 2014. There are signs that increased domestic supplies are displacing imports to a limited extent. Even if this continues, it is unlikely to be sufficient to offset the higher production. Therefore, demand will need to rise if the sustained pressure on pig prices is going to be relieved. A rise in export demand seems unlikely while the pound is so strong against the euro, so the domestic market is likely to be key. So far this year, retail demand for pig meat has been weak, meaning a higher share of production has had to be diverted to lower value markets, keeping prices down.

Growth is currently forecast to slow further in 2016 but there will still be more pig meat on the market than this year. In the absence of a demand response, this could mean that the pig market will remain challenging for producers for some time to come. However, there are many factors which could affect the outlook for 2016, so prospects could still change, for better or worse.

UK Market Analysis

Importance of physical performance to producer returns

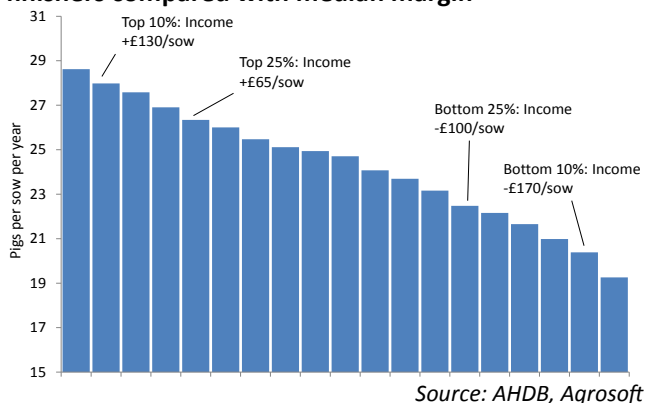
Each quarter, AHDB Pork publishes estimates of the cost of pig production. The [latest figures](#) showed that, on average, producers were losing money in early 2015, for the first time in 18 months, and that both breeders and finishers were back in the red. However, these averages do not give any indication of how much returns vary between producers.

A full evaluation of the extent of variation would require access to financial information for each farm. Experience in other sectors and countries shows that variation in cost structures have as much, or even more, influence on margins than physical performance. However, in the absence of this, we can see how physical performance impacts on returns, assuming that other factors affecting them don't vary.

Based on estimates from the AHDB Pork model, the estimated average cost of producing a piglet in 2014 was £34 per head. This was around £5 lower than the average 7kg weaner price during the year. For a breeder with 500 sows and average productivity, this equates to a positive margin of around £60-70,000 from sales income of around £475,000.

However, there was significant variation around these figures. The 10% of producers with the best physical performance, above 28 piglets weaned per sow per year, would have made around £80,000 more income, if prices for their piglets matched the average. The 10% of producers with the lowest physical performance, 20 piglets per sow or below, would have had income about 18% below average.

Impact of physical performance on returns to pig finishers compared with median margin



How this impacted on margins would depend on the cost structure of businesses, although it suggests that perhaps around 15% of producers would have had negative margins, even in 2014, one of the best recent years for producers. However, if wider costs were fixed, moving from the bottom 10% to the top 10% could be worth around £300 per sow.

It is worth reiterating that these estimates only take account of variations in physical performance. Some of

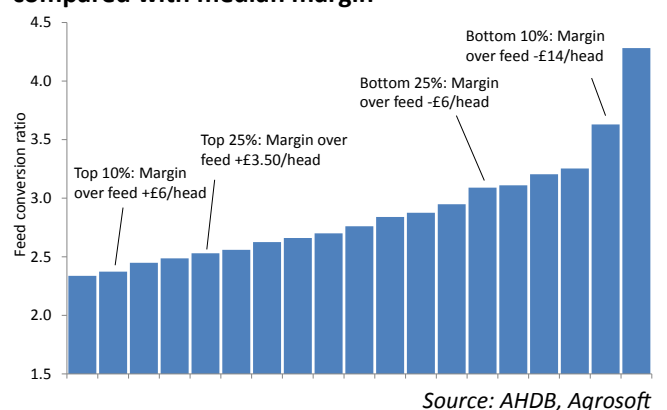
the producers with relatively poor physical performance could spend less on inputs or achieve higher prices for their piglets. Improving physical performance may mean costs increase, so they may not be able to realise the full benefit. Despite this, the analysis does emphasise how important herd performance can be in determining financial returns to producers.

Turning to the finishing herd, there are again large variations between producers. The main impact of herd performance on costs for finishing is feed efficiency. Therefore, we can look at how feed efficiency affects the margin over feed. This isolates the effect of physical performance on returns, regardless of the wider cost structure of each producer.

Adjusting for differences in weights at transfer to finishing and slaughter, the average margin over feed for taking a pig from 35kg to 105kg, a typical range, was just under £30 per head in 2014. This figure includes the purchase of store pigs, based on the annual average price. For a producer selling 10,000 finished pigs a year, this equates to a margin over feed of around £300,000, although the final margin will have been much lower than that once other costs are added.

Based on this analysis, the most efficient 10% of feeders, based on Feed Conversion Ratio, had a margin over feed about £6 per head higher than the median. The gap was bigger at the bottom end, with the margin over feed of the least efficient tenth of producers around £14 per head below average. The gap between the top and bottom end is, therefore, around £20 per head, although, as always, the difference in overall margins will depend on how other costs vary between producers.

Impact of feed efficiency on returns to pig finishers compared with median margin

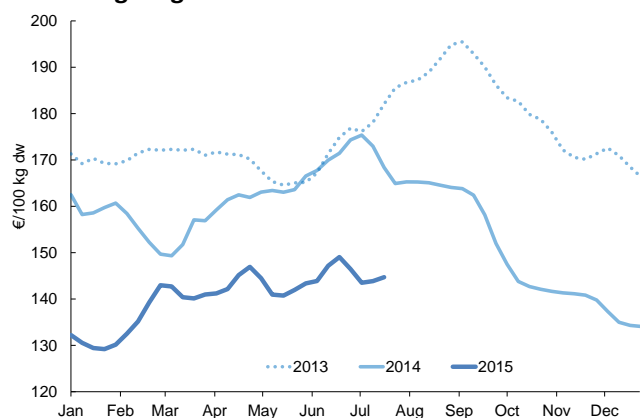


The lack of farm-level data on the full range of input costs and prices means we can't be precise about the variation in producer margins. However, the analysis presented above demonstrates that physical performance could have a major influence on them. Even modest improvements in productivity or efficiency, if achieved without adding to wider costs, could add tens of thousands of pounds to producers' margins, helping to protect them against the inevitable volatility of both pig and feed markets.

EU Market Snapshot

During June and early July, the average EU pig price has continued to fluctuate but with no clear direction being established. Having reached its highest point since September in late June, at €149 per 100kg, the average then fell back. Slight increases in the last two weeks took it back to nearly €145 per 100kg. This is around €24 lower than at the same point last year, as increased supplies and sluggish demand, both on EU and export markets, put pressure on returns. Combined with further weakening of the euro, this means that the gap between UK and EU prices has widened again, reaching almost 30p/kg in the latest week.

EU Average Pig Reference Price



Source: EU Commission

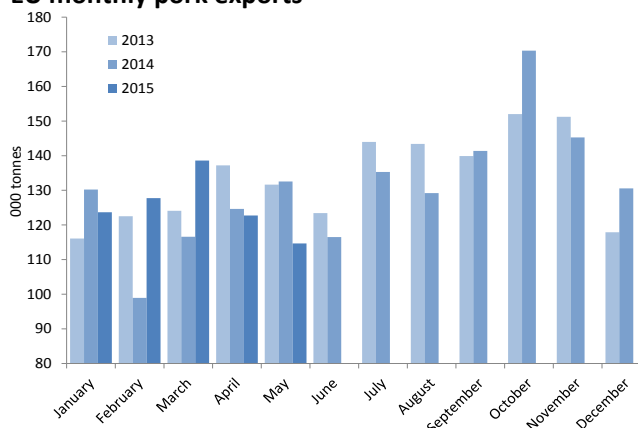
The fall in the EU average price over the last four weeks was mainly confined to northern Member States. The German price fell by €9 per 100kg, with similar falls in most of its neighbours. Indeed, the Dutch price fell by nearly €13 during this period, perhaps partly due to its leading position on the Greek market, which was effectively closed due to the lack of cash available to pay suppliers. Markets in southern Europe remained firmer than those further north, with French and Italian prices rising by €5, while Spanish quotes were up by nearly €3 from four weeks before.

Pork exports from the EU in May 2015 were 14% lower than a year earlier, totalling 114,700 tonnes. This was the lowest May figure since 2010 and came as many of the markets which had been supporting exports since the Russian ban reduced their purchases. To some extent, the reduction could be attributed to a rise in prices, which meant the gap between EU and US prices narrowed. Of the major buyers of EU pork, only China took more this May than in the same month last year, although it did take substantially more.

In euro terms, the average export price this May was less than 1% lower than a year earlier, although there was a much larger fall in US dollar terms. This meant that exports also fell 14% in value, to €273.2 million. The weakening of export markets will certainly have contributed to EU pig prices remaining under pressure in recent months.

There was a similar picture for pig offal, with May shipments down 9% overall but exports to China rising. The fall was largely driven by a halving of trade with Hong Kong, due to logistical difficulties at the port there, which also affected pork shipments. A rise in unit prices meant the value of offal shipments was only 1% lower on the year, at €97.5 million.

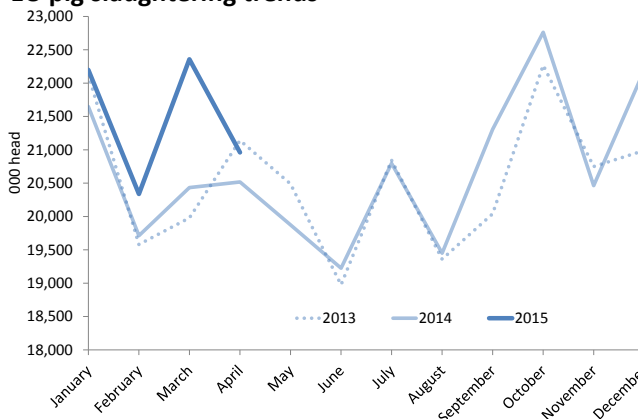
EU monthly pork exports



Source: Eurostat, GTIS

Although not reaching the same heights as in March, EU pig meat production remained high in April. Output was around 4% up on last year, at 1.89 million tonnes. The slowdown was expected, given the earlier Easter this year, but slaughterings were still up 2% at a little under 21 million head. This took throughputs for the first four months of the year to 85.8 million head, 4% more than a year earlier, with pig meat production up 6%.

EU pig slaughtering trends



Source: Eurostat

The overall rise in April came as a result of varied trends between Member States. Much of the growth was due to an unusually large rise in recorded Danish slaughterings, although this may be subject to revision. Elsewhere, Spain and the Netherlands continued to record strong growth, with both killing 6% more pigs than last April. However, this was partly offset by lower throughputs in Germany (down 1%), France (-3%) and Poland (-13%, likely due to the timing of Easter). Despite these declines, France was the only leading producer to record lower slaughterings in the first four months of the year, emphasising the relatively plentiful supply situation across the EU.

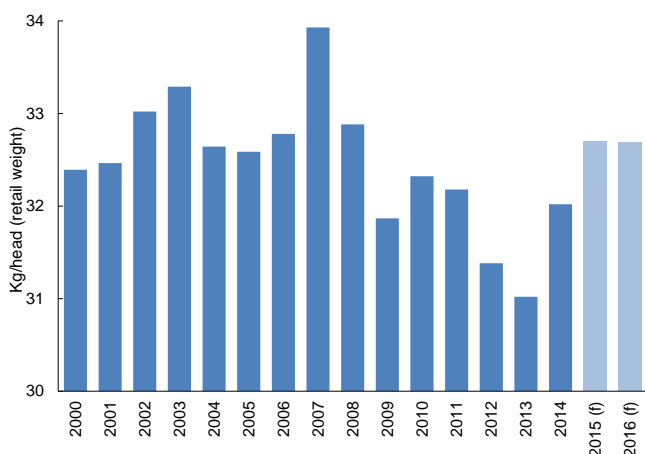
Global Market Analysis

Subdued retail sales suppress EU pig prices

As with all commodities, prices for pigs are largely determined by the balance between supply and demand. In the case of pigs, however, it is relatively easy to track supply levels but more difficult to measure demand. Using a mix of sources, though, we can get an understanding of how the two relate to one another and the implications for prices.

In the absence of better sources, total pig meat consumption is usually derived by balancing production, imports and exports. Based on this calculation, EU consumption was generally rising slowly in the years before 2008 when the financial slowdown began. Between then and 2013, the trend reversed and overall consumption fell, by around 3kg per person between 2007 and 2013. However, since then consumption has begun to rise again, at least based on the balance calculation. The recent EU Commission short-term outlook forecasts that this will continue for the rest of this year before stabilising next year. By then, consumption will be back to levels similar to those before the recession.

Per capita EU pig meat consumption



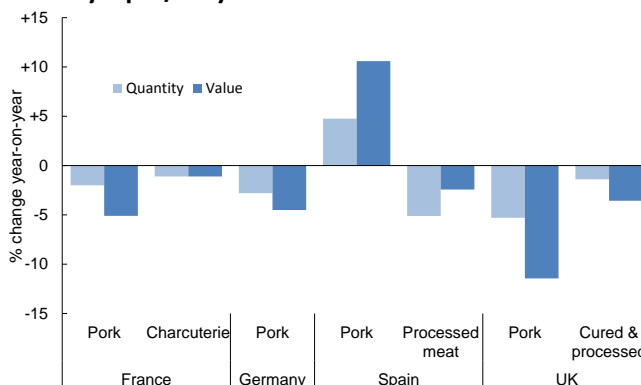
Source: EU Commission

Despite the increased consumption estimates, retail demand for pig meat in the main markets of the EU has remained under some pressure in 2014 and so far in 2015. The ongoing tight economic situation has meant that household spending on all meat, including pig meat, continues to decline. Also in some Member States concerns have increased about health aspects of pig meat, which have been a contributory factor to the weak pig market in 2015.

In Germany, the largest pig meat market in the EU, household purchases of fresh pork in January-May 2015 were almost 3% below those of a year earlier, despite a 2% decline in the average price. This fall in sales is in line with the declines of over 2% per annum in 2012 to 2014. Sales of minced meat, including pig meat, in January-May 2015 have also been 3% lower than a year earlier. In France, household purchases of fresh pork in 2015 up to 17 May show similar developments, with volumes down by 2% in spite of a 3% decline in the average price. However, unlike

in Germany, purchases of fresh pork had held up better between 2012 and 2014 and even increased in 2014. The charcuterie market in France is larger than fresh pork and has performed somewhat better so far in 2015, as purchases were only 1% lower while the overall average price was unchanged.

Annual change in household pig meat purchases, January-April/May 2015 v 2014



Sources: Kantar Worldpanel, GfK/AMI, MAGRAMA

There are indications that Spanish consumer demand for pig meat is improving. In 2014, household purchases were down by over 3% but in January-April 2015 they were down by less than 1%, even though the average price was up by 3%. Strong performance for fresh pork largely offset a further decline in more expensive processed products. Italy is the second largest pig meat market in the EU and reports indicate that demand has remained weak so far in 2015. In 2014 there was a decline of 4% in household purchases of fresh pork, although this was partly offset by a rise of 2% in salami. There were price declines for both categories.

This combination of apparently higher consumption and subdued retail sales, which was also apparent in the UK, suggests that an increasing proportion of pork is being eaten in foodservice or as processed products. These markets are generally much more price sensitive than the retail market. Therefore, in order for them to absorb the increased amount of pork available, the price inevitably has to fall.

This appears to have been the situation this year, with increased production, the Russian ban increasing supplies further and subdued retail sales. There may even have been some product which has been diverted into uses other than for human consumption, where prices would need to be even lower to stimulate demand.

This combination explains why EU pig prices fell so sharply during 2014 and why they have remained stubbornly low this year. For prices to pick up, either supplies need to tighten, unlikely before the end of the year, at least, or retail sales will need to increase. With the EU economy still struggling, this doesn't seem particularly likely either. Therefore, the outlook for EU pig prices still seems fairly pessimistic, with an inevitable knock-on effect on the UK market.

Global Market Analysis

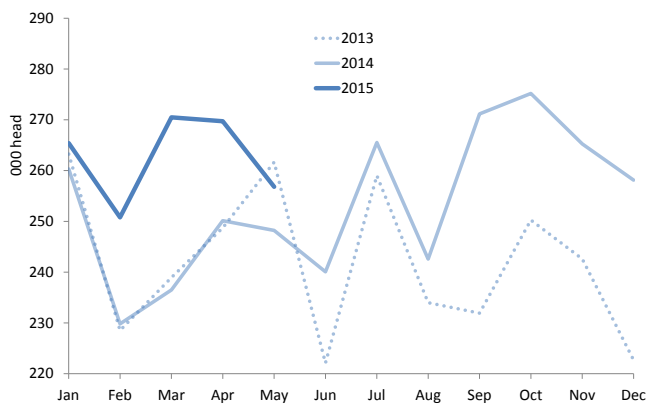
Irish market growing despite challenging finances

The UK's nearest neighbour, Ireland, has a relatively small pig herd, with fewer than 150,000 breeding sows. However, the country's small population means that it is still a significant pork exporter. It shipped nearly 150,000 tonnes of pork last year, along with 60,000 tonnes of other pig meat products.

Given the UK's proximity, much of Ireland's exported pig meat ends up on its market; Ireland is the fourth largest supplier overall and the largest source of processed imports. The relationship with the UK is strengthened by the import of around 500,000 Irish pigs for slaughter at plants in Northern Ireland. This trade has declined slightly of late, falling 7% last year and a further 2% in the first half of this year, as more Irish pigs are retained for slaughter south of the border.

The Irish pig herd has been in expansionary mode lately, since recovering from an outbreak of PRRS in 2013. The improved health status and higher productivity, combined with a small rise in the breeding herd and the reduction in live exports, meant that 5% more pigs were slaughtered in Ireland in 2014 than the previous year. In the first five months of this year, throughputs were up 7% year on year.

Irish monthly pig slaughtering



Source: CSO Ireland, GTIS

As in the UK, average carcase weights have been rising too, from 82.4kg in 2013 to 83.6kg in 2014 and 86.3kg in January-May 2015. This rise means that pig meat production has been growing even more strongly than slaughtering, up 6% last year and nearly 11% in 2015 so far. If this rate of increase continues, production could top 280,000 tonnes this year, more than 40,000 tonnes up on 2013.

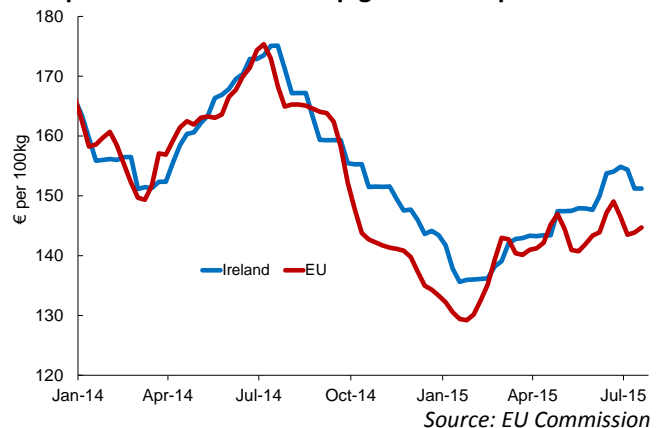
Given the relatively small and stable domestic market, most of the increased supply inevitably ends up being exported. Irish pork exports rose 12%, or 16,000 tonnes, in 2014. Around a third of Irish exports head to the UK but the share fell in 2014, so only around 4,000 tonnes more Irish pork was sent to the UK. Higher processed exports will have added to this total though. In January-April 2015, Irish pork exports were up a further 12%, with around 2,500 tonnes more entering the UK. Although these extra

volumes are relatively small compared to the overall UK market, they came at a time when the market was already well supplied. Therefore, they will have added some extra pressure to UK prices.

Away from the UK, Irish exporters have had to cope with the loss of the Russian market, which took nearly 22,000 tonnes of Irish pork in 2013. Despite this, non-EU exports actually rose last year, as Asian markets such as Japan, Korea and the Philippines absorbed the surplus. Other EU markets have also performed strongly, particularly as sales to some Asian markets, notably Japan, have started to ease in early 2015.

Given that Ireland is a major exporter, its pig price has to follow the EU average relatively closely. However, since the autumn, the Irish price has generally tracked above the EU average. It didn't fall as far in the New Year and, as continental prices picked up, the Irish price followed them but when EU prices fell, Irish ones didn't drop as much. As a result, prices have averaged about 4 cents per kg higher than the EU average so far this year; in the same period last year, the Irish price averaged slightly lower than the EU one.

Comparison of Irish and EU pig reference prices



Source: EU Commission

Nevertheless, current price levels are still relatively low by recent standards. With full production costs thought to be above €1.70 per kg, most producers are losing money and some will be under significant financial pressure. This is reflected in sow slaughtering figures, which show a 12% year-on-year increase in the first half of 2015, to the highest level since 2006. With throughputs also higher in the second half of 2014, over 12,000 more sows were culled in the last 12 months than a year before. If this translates into a similar fall in the breeding herd, it could mean a year-on-year reduction of 8%. In reality, the fall will probably have been smaller than this but it could still mean that the expansion of production may come to an end later in the year.

Any reduction in Irish supplies could take some pressure off the UK market, either through lower pork shipments or fewer Irish pigs being slaughtered in the UK. However, with several other EU countries being more important suppliers, developments elsewhere are likely to have more impact.

Feed Market

Overall, it has been a bearish month for grain markets, with prices moving lower after a very short-lived rally at the start of July. UK feed wheat futures (Nov-15) have fallen by £7.95/t since the beginning of the month, closing at £123.00/t on Wednesday 22 July. This is the lowest settlement price since mid-June and £20.04/t below the complete average since the contract opened.

Nov-15 UK feed wheat futures



Source: AHDB Cereals and Oilseeds

Chicago wheat futures (Dec-15) also followed the downward trend and closed at \$192.70/t on 22 July, down \$26.54 since the start of July. Chicago (Dec-15) maize prices closed at \$162.79/t, down \$7.19 over the same time period.

Although weather issues remain, the market appears to be more relaxed towards them. In key parts of the US, weather conditions are becoming warmer, although unlikely to be too hot, which would stress maize during pollination.

In the EU, concerns for the maize crop in the west appear to have subsided a little. However, in comparison to earlier in the month, heat stress is forecast to build in the south east over the next week. In line with the USDA, Strategie Grains cut its forecast of EU maize production, with forecasters keeping a keen eye on the crop over the coming weeks. With the prospect of reduced feed grain supplies in the EU this season, [maize prices have risen relative to wheat, which should support feed wheat demand](#).

Recent dry conditions in Canada have been well publicised and on 22 July, Agriculture and Agri-Food Canada updated its forecasts for supply and demand. Wheat (excluding durum) production was pulled lower. However, stocks at the end of 2015/16 are set to remain above the five-year average.

Despite a 10% increase in the Canadian barley area, falling yields and a high level of abandonment have resulted in overall supply looking set to establish a record low. Demand is supported by the dry conditions, which is increasing the need for supplementary feeding by livestock farmers. Global trade in feed barley looks set to diminish in

favour of more abundant feed grains, such as maize, which will need monitoring as this season progresses. The Canadian barley situation, is likely to put more reliance on Australian supplies with a continuing back drop of El Nino.

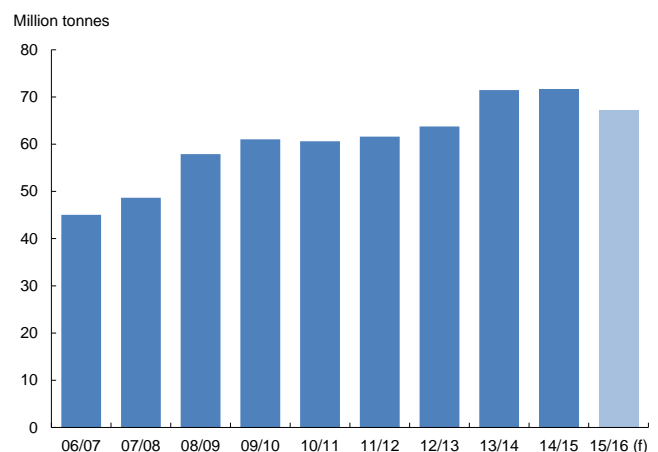
Chicago (Nov-15) soyabeans settled at \$365.75/t on 22 July, down \$12.49 since the beginning of the month. UK delivered rapeseed prices for November (Erith) were £273/t on Friday (17 July) up £5.50 in comparison to the same time last month. Brazilian soyameal (48%, ex-Store, Liverpool, Jul-15 delivery) was up £12 at £304/t on the same date.

Improving weather in the US is building confidence in US soyabean supplies and the relatively low prices this year appear to be supporting demand. The latest statistics from the National Oilseed Processors Association (NOPA), revealed that US soyabean crush volumes in June 2015 were 3.9Mt, the highest on record for the month.

Chinese soyabean imports were the second highest on record in June, spurred by low South American prices. If China is stocking up on cheap South American soyabeans, we may see a decline in its demand for the US crop later this year. So far, new crop US sales to China are the lowest since 2007 and if this trend persists, soyabean prices could decline further, especially as another large harvest is expected.

In contrast, global rapeseed production prospects in 2015/16 are helping to offset some of the bearishness felt from soyabeans. Oilworld has reduced its EU and global rapeseed production forecasts for 2015/16. Global production now stands at 64Mt, 1.8Mt lower than the June forecast (65.8Mt). Furthermore, the EU forecast is reduced by 0.5Mt versus June (22Mt).

Global rapeseed production



Source: USDA

Canadian canola (rapeseed) production could fall to a five year low in 2015/16 as official ratings suggest 35% of the canola area in Alberta, the top producing state, is in 'poor' condition. The crop was initially damaged by frost after a late spring and then suffered drought. Rains expected this week may offer relief, however, although for some of the crops it may be too late.

In Brief

Signs of slowdown in the US

Latest USDA figures show the US pig herd on 1 June was 9% larger than a year earlier. However, compared with June 2013, before the PEDv outbreak, the current figure represents a more modest 3% increase. The breeding herd, however, was only 1% higher than a year earlier. This may be a sign that producer confidence has dissipated, given the low hog prices since the turn of the year. This is further reinforced by estimates that sow farrowings in the next six months will be 3% below the same period last year. Nevertheless, with the pig crop for March-May up 8% on the year, finished pig supplies are likely to remain plentiful for most of the rest of this year.

New edition of MeatStats published

MeatStats, AHDB Market Intelligence's set of 13 data tables covering different aspects of the UK and global meat industry now include data up to the first quarter of 2015. As well as pork, MeatStats tables also cover beef, lamb and poultry meat and provide time series data back to at least 2000 and, in most cases, 1990. Between them, the tables cover data on slaughterings and production, international trade, consumption, retail purchases and prices, abattoirs, livestock numbers and seasonality. The MeatStats tables, either individually or as a complete set, can be downloaded by [clicking here](#).

German breeding herd declines

Provisional figures from the May 2015 German pig census show a stable herd overall but a decline in the breeding herd. The number of sows was over 2% lower than a year earlier, reversing last year's increase. This confirms that low pig prices recently have had an impact, particularly on smaller producers, as the number of breeding pig farms was down 6% to under 10,000. The decline in the breeding herd supports suggestions that German finished pig supplies could tighten later in the year. However, supplies may remain relatively plentiful in the short-term as the number of pigs being raised for slaughter in May was slightly higher than a year earlier.

New publications shed light on the pig industry

The newly published AHDB Pork Yearbook provides an update on the performance of the pig industry over the last year. It includes key industry statistics and UK and international pig performance data, as well as details of

marketing, knowledge transfer and research and development activity carried out by AHDB over the last year. The Yearbook can be downloaded by [clicking here](#).

The 2015 Pig & Poultry Pocketbook is also available through the AHDB Pork website. It pulls together the key facts and figures about the pig and poultry industries. The Pocketbook covers the structure of the industry, prices, production levels, carcase classification, international trade and retail sales. To download the pig section of the Pocketbook, [click here](#), while the poultry section is [available here](#).

EU meat production growth set to slow down

Meat production in the EU is forecast to increase by 2% this year but growth will slow down next year, according to the EU Commission's latest [short-term outlook](#). Pig meat will show the fastest growth of nearly 3%, although this is a slowdown from the near 6% rise in the first half of the year, due to the poor profitability of producers over the last year. The report forecasts increases in EU pork exports of 7% for 2015 and 8% for 2016.

Positive outlook for global meat market

The UN FAO has published its [Agricultural Outlook for 2015 to 2024](#). It forecasts that prices for all agricultural products will decrease in real terms over the next 10 years, helped by lower input prices. However, prices are still projected to remain higher than before the 2007-08 price spike. The outlook for the meat market remains largely positive, with feed prices set to remain low and meat prices expected to stay relatively strong, although not reaching the heights of 2014. Global meat production is projected to rise at a slower rate than in the previous 10 years, with most of the growth coming from developing countries.

Weak euro puts pressure on UK prices

The pound recently reached its strongest level against the euro for nearly eight years, with one euro worth less than 70p. The recent uncertainty over Greek debt has created pressure on the euro's value, with expectations that UK interest rates will start to rise soon adding to sterling's strength. With a fairly close relationship between the exchange rate and the GB pig price, the weakness of the euro has contributed to the fall in pig prices over the last year. If this doesn't change, pig prices will struggle to recover to the levels seen in recent years.

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