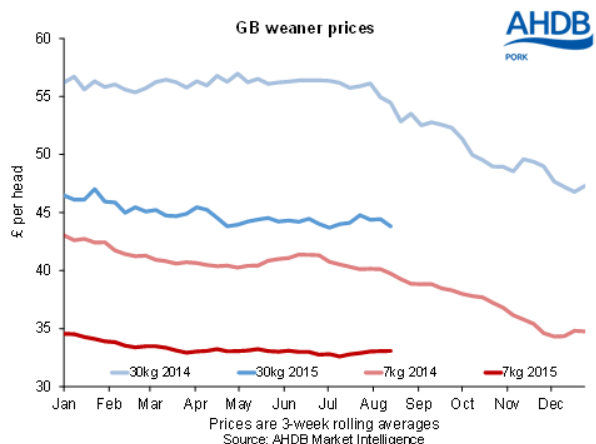
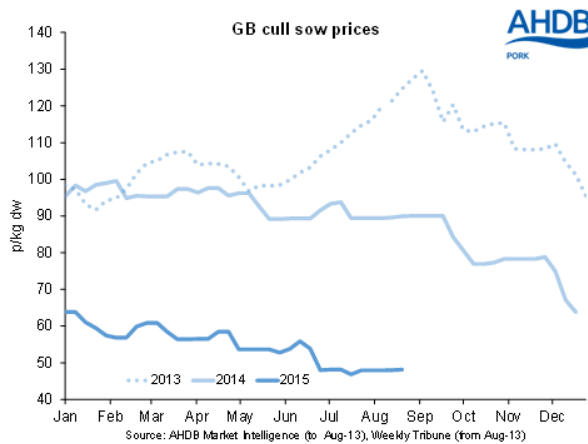
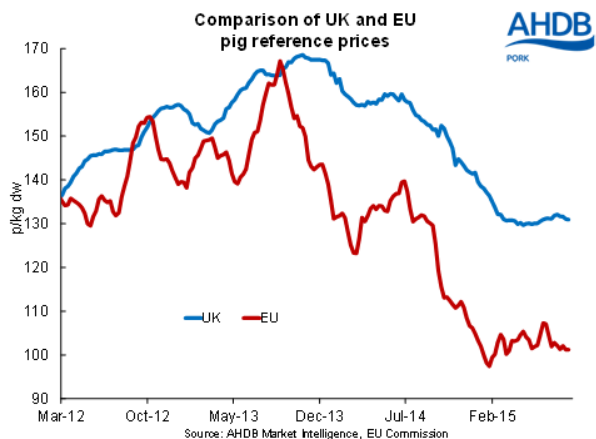
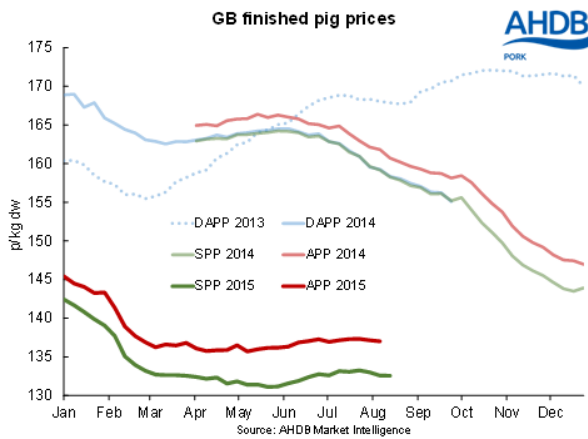


UK PRICES

GB finished pig prices continued to increase, though only slightly, in July. The monthly average EU-spec APP was nearly a third of a penny higher than in June at 137.18p/kg, which is the highest price since February. This was only the second monthly rise since last May and the gap between this year's price and last year's reduced to less than 27p. However, overall the market remains finely balanced, with low EU prices, the weak euro and increased domestic supplies preventing prices from rising. The onset of the holiday season usually leads to a slight fall in demand and the APP dropped slightly in early August but remained above 137p/kg in week ended 8 August.

The average SPP also increased in July, by slightly under a penny, to stand at 133.02p/kg (EU-spec). As this was a slightly larger rise than for the APP, the gap between the two narrowed to just over 4p but this was still nearly double the gap a year ago. As with the APP, the SPP eased back in early August to stand at 132.57p/kg in week ended 15 August.

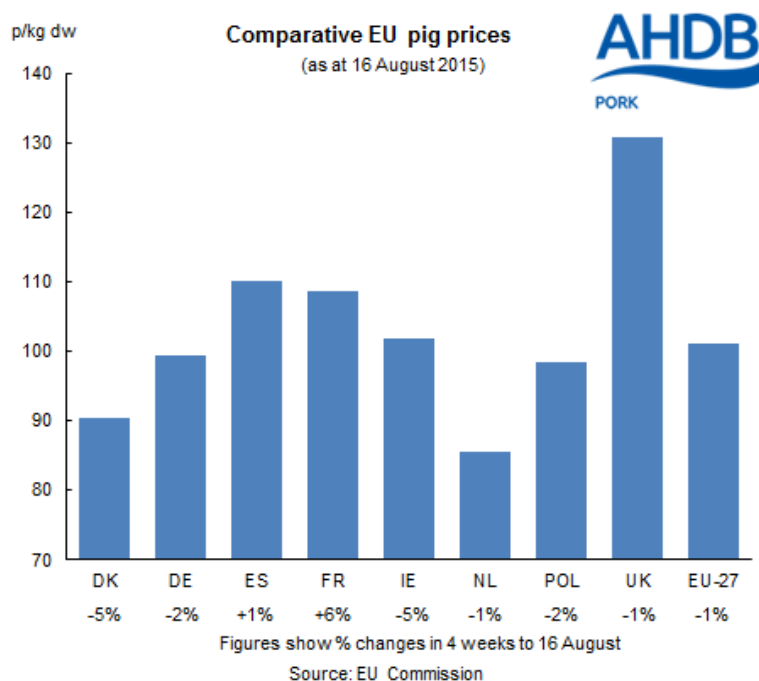


The average carcass weight in the APP sample for July was 79.42kg which is a 700g drop from the previous month's average. However compared to July 2014, the average carcass weight had increased by 150g. The SPP sample experienced a slightly larger drop of nearly a kilo compared to June but this was still an increase in weight compared to the same time last year. Carcass weights have followed the normal seasonal trend for both APP and SPP but the very hot weather at the beginning of July will have had some effect, slowing growth rates and, hence, reducing finished weights.

The balanced finished pig market is also reflected in weaner prices, which were again virtually unchanged in July. The average 7kg price during the month fell by 7p compared with June, to £32.85, while the 30kg price rose by 6p to £44.29. These averages were, however, well below year earlier levels, by £7 and £12 respectively, following significant price falls in the second half of last year. The broad stability continued into August, although the 30kg price did dip below £43 per head in the latest three weeks, which may suggest some softening of demand. However, 7kg prices held up, so the figures may just reflect the routine variations in the price.

EU PRICES

In common with the UK market, the EU pig price has been relatively stable since the beginning of March. Prices have picked up briefly on occasions but any increases have been short-lived. This stability has continued in July and early August, with the average price fluctuating around €144 per 100kg. It did drop below this level in the latest week, ended 16 August, to stand at €142.41, the lowest level since May. With both markets flat, the gap between the UK and EU prices has stayed at around 30p over the last month, still very high by historical standards.



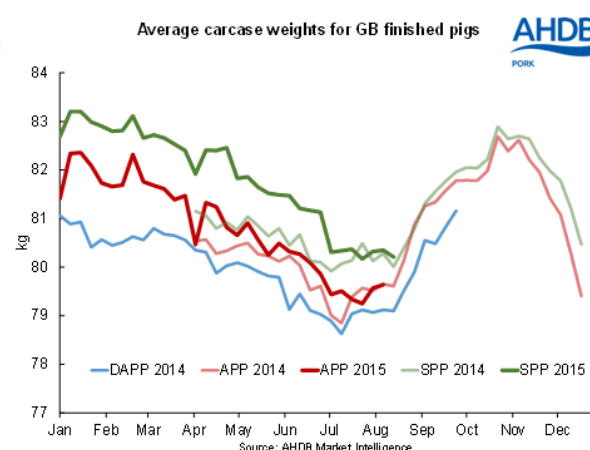
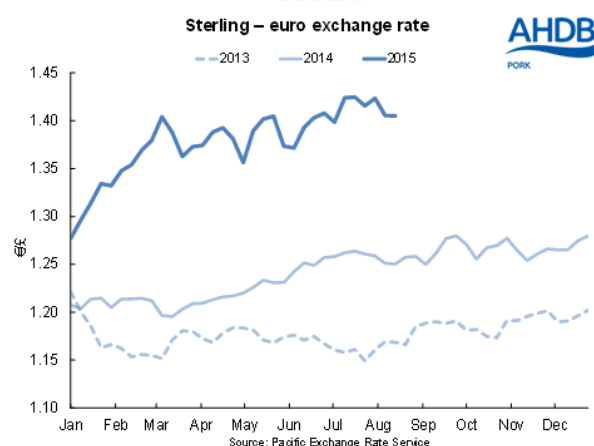
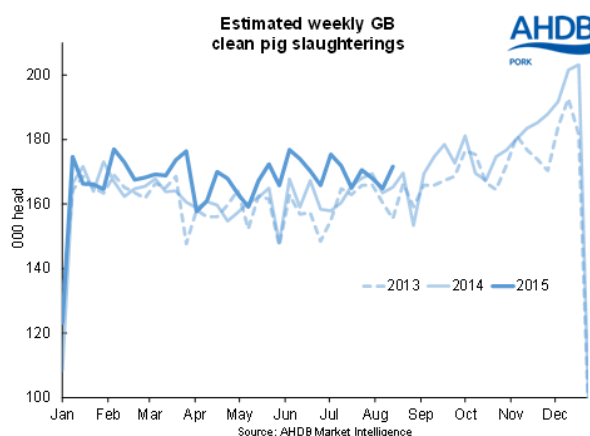
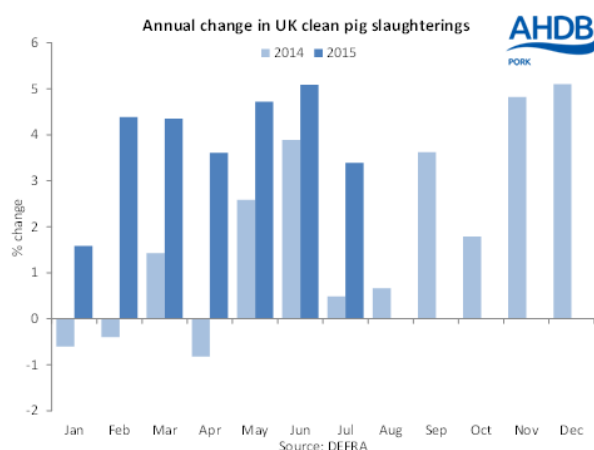
In recent weeks, prices have generally been weaker in northern Member States than further south. For example, the German price fell by €3 per 100kg in the latest four weeks, while the Danish price was down nearly €6. Dutch and Polish prices also dropped, as did the Irish quote. In contrast, the Spanish market has been largely static, while the French price has risen by €5. This was partly in response to farmer protests which increased demand for French pork and led to the government imposing a target price for pigs. As a result, French prices are now well above the EU average. Italy has also recorded strong price rises of late.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

For the sixth month in a row, UK clean pig slaughterings rose by more than 3% in July. Throughputs during the month topped 1 million head for the first time at this time of year since 2000. So far this year, over 200,000 more pigs have been slaughtered than during the same period last year, driven by further improvements in herd productivity. The growth rate in July was actually the lowest since

January, which may be partly because the hot spell at the start of the month slowed growth rates, leading to marketing of some pigs being delayed. There were increases across all parts of the UK, although Scottish and Northern Irish throughputs rose slightly more slowly than those in England.

For the second month in a row, sow and boar slaughterings were above year earlier levels, albeit by only 2%. This follows a year of falling throughputs, driven by low cull sow prices. Carcase weights also increased for both clean pigs and sows but the average for the former, 80.0kg, was the lowest since last July and the year-on-year rise of less than 500g was the smallest in two years. The net result was that pig meat production was up 4% on the year, at 83,700 tonnes.



Following a sharp fall in May, UK pork imports bounced back in June, reaching their highest level of the year at 30,800 tonnes. However, this was only 3% higher than in June 2014. Growth was driven by Danish shipments, which were up by a third, with most of the increase down to higher volumes of chilled legs. Most other major suppliers actually sent less pork to the UK than a year before. Despite the small increase in June, imports for the first half of this year were still lower than a year earlier, as buyers prefer domestic product. With prices well down on last year, the value of imports during the six months was 16% lower at £297.1 million.

Bacon imports were also higher in June, compared with a year before. However, shipments from Denmark were lower but were offset by increased volumes from the Netherlands and Germany. The latest figures show a very sharp increase in processed imports but this appears to be a data error, so the true position is unclear. However, sausage imports were lower than in June 2014.

UK pork exports were also higher in June, with sales to China up by three-quarters, although this is compared with an unusually low figure for June 2014. Germany and Ireland also took more UK pork.

However, less was shipped to Denmark, the Netherlands and Belgium. This may simply be a case of more product being shipped directly to onward destinations, rather than via these countries. Despite the rise in volumes, lower unit prices meant that the value of exports was down 1% year on year in June, to £15.8 million, and by 12% for the first half of the year, at £88.8 million.

After a difficult start to the year, offal exports appear to be recovering, with a 24% year-on-year rise in June. Shipments to China reached a record 2,900 tonnes, 80% up on a year earlier. There were also strong sales to several smaller markets in Asia and Africa. These were only partly offset by lower volumes sent to Hong Kong and a small fall in sales to other EU countries.

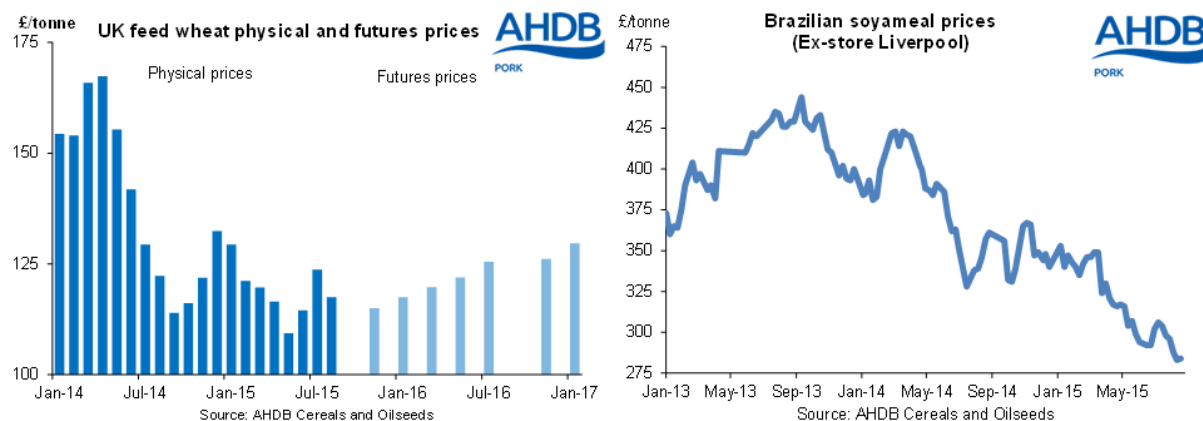
FEED MARKET

UK feed wheat futures have continued to decline over the past month, aside from a brief rally early in August. The Nov-15 contract closed at a new low of £114/t on 18 August, £7.85 below the peak of the latest rally on 10 August. Paris maize futures remain above UK wheat, with the Nov-15 contract closing at £124.12/t on 18 August. This suggests that wheat remains a more competitively priced feed grain.

French maize crops continue to be a concern for the market, with condition ratings being lowered by FranceAgriMer for an eighth consecutive week. As at 10 August, only 55% of the French maize crop was in 'good' or 'very good' condition, following extreme heat at a key growing stage. There are signs that maize crops elsewhere in the EU could also be affected. Although France is a key growing region, there is much more to the maize market – US weather conditions are a key watch point, while the outlook for Ukrainian and Russian maize is relatively favourable. Although fears over the French maize crop supported French maize prices, feed grain prices in the UK have been capped by the imported prices of maize from alternative origins.

On a global scale, the latest world supply and demand estimates from the USDA (released 12 August) revised total supply forecasts for both wheat and maize in 2015/16 upwards. This was the main reason behind declines in grain prices, especially in the US, since early August. Though European prices followed the trend, the declines have been less pronounced as issues with the European maize crop provide resistance against any further global price falls.

Defra has provisionally estimated the English wheat area for harvest 2015 at 6% lower year on year. This is a bigger drop than indicated by the AHDB Planting Survey and slightly below the 5-year average. The barley area was estimated to have increased by 6% year on year in the latest Defra figures. The UK winter barley harvest is now nearing completion, with the wheat harvest getting underway. Early indications suggest relatively good yields but it is too early yet for any definitive figures.



Soyameal prices have generally followed the downward trend of soyabean markets over the month, while rapemeal prices have risen. Soyameal (Brazilian, 48%, ex-store Liverpool, spot delivery) was £283/t on 14 August, down £13 since the end of July, while rapemeal (34%, ex-mill Erith, spot delivery) rose £5 over the same period to £179/t. This suggests that soyameal is increasingly price competitive over rapemeal. The movements in protein meal prices reflect the trends in oilseed markets, with relatively tight rapeseed supplies compared to ample availability of soyabeans.

Total global production of oilseeds was reduced in the latest USDA estimates. However, production of soyabeans was revised higher, while rapeseed and sunflower estimates were reduced. As such, total production of protein meal has been increased, given the higher yields of meal from soyabeans. US soyabeans are forecast to account for 20% of global oilseed production this season and so yield potential is being closely watched. Against expectations that US soyabean production would be revised lower after wet weather, USDA actually raised its forecast. The market's surprise resulted in the biggest weekly fall this year for US (Nov-15) soyabean futures, which closed £19.18/t lower.

Brazilian soyabean plantings have been forecast up 3% year-on-year by Oilworld, to a record 32.8Mha. Planting in the world's second largest producer is due to start in October.

China's recent currency devaluations have kicked oilseed prices further downward, essentially reducing the buying power of one of the most important soyabean importers.

The supply and demand outlook for rapeseed this season continues to be much tighter than that for soyabeans, with Paris Nov-15 rapeseed futures closing only £9.77/t lower in the week after the USDA report. On top of tightening outlooks for European and Canadian 2015 rapeseed crops, Ukrainian production in 2016 could decline for the fourth consecutive year following issues with planting.

CONSUMPTION

Despite a 4% drop in the average retail price, the amount of pork purchased was down by a similar amount in the 12 weeks to 19 July, resulting in expenditure being down 8% year-on-year, according to Kantar Worldpanel. Switching away from pork to chicken and chilled ready meals again impacted performance. Fresh chicken prices fell slightly more over the last year and so the price differential has widened. Fresh chicken is now, on average, just over 50p/kg cheaper than fresh pork. The amount of chops/steaks bought fell, despite a 5% drop in average prices which further impacted on spending. A 6% decrease in the proportion of households buying them, to 35% of households, was the key driver.

Pork roasting joint sales were also down more in value than volume overall, as the result of lower average prices. Pork shoulder was the only joint to register any volume growth and was up 12% year on year. Its performance this period will again have been boosted by the pulled pork promotional campaign which ran until the beginning of June and included a 4-week TV ad campaign. Leg roasting joints had the biggest volume decline of 14% year on year, as the amount sold on deals fell from 63% a year ago to 49% this year.

More bacon and sausages were sold, although lower prices meant that spending on them was still down. Sales volume growth for sausages was driven by a 17% increase for premium products. Despite a 5% fall in price, total expenditure on premium sausages increased by more than 6% in the latest period. According to Kantar, the introduction of free school meals is impacting the

performance of the cooked meats market. Ham is the leading product in this category, constituting some 55% of expenditure (£1.2billion) in the year to July and volume sales were lower as a result.

Trends in retail meat purchases (period ended 19 July 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	+1	-2	-3	+2	-2	-3	-0	-2	-2
Pork	-6	-8	-2	-3	-8	-4	-4	-8	-5
<i>Belly</i>	-12	-8	+5	-9	-9	+0	-6	-7	-1
<i>Chops/Steaks</i>	+1	-6	-7	-4	-9	-5	-6	-10	-4
<i>Leg Roasting Joint</i>	-38	-45	-11	-14	-24	-11	-1	-10	-9
<i>Loin Roasting joint</i>	+11	+23	+11	-3	-3	-0	-5	-8	-2
<i>Shoulder Roasting joint</i>	+4	+4	+0	+12	+15	+3	+2	-5	-6
<i>Marinades</i>	+15	+19	+3	+2	-0	-2	+2	-2	-4
<i>Ribs</i>	+18	+12	-5	+1	+1	+0	+3	+2	-1
<i>Mince</i>	-38	-46	-13	-17	-25	-10	-2	-7	-5
Bacon	+3	-2	-5	+2	-3	-4	+1	-1	-2
Beef	-1	-0	+1	-0	+1	+1	-0	+1	+1
Lamb	-4	-5	-2	-8	-7	+1	-4	-5	-1
Poultry	+5	+1	-5	+6	+0	-5	+2	-2	-4
Processed products									
Pork Sausages	+0	-2	-2	+1	-1	-2	+1	-1	-1
Fresh Pre-packed Pork Pies	+1	+8	+7	-2	+1	+3	-0	+2	+2
Fresh Pre-packed Sausage Rolls	+8	+4	-4	+6	+1	-4	+1	-3	-4
Pork Sliced Cooked Meats	-0	-3	-3	-2	-6	-4	-2	-3	-2
Pork Chilled Ready Meals	+10	+8	-2	+10	+8	-2	+10	+9	-1

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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