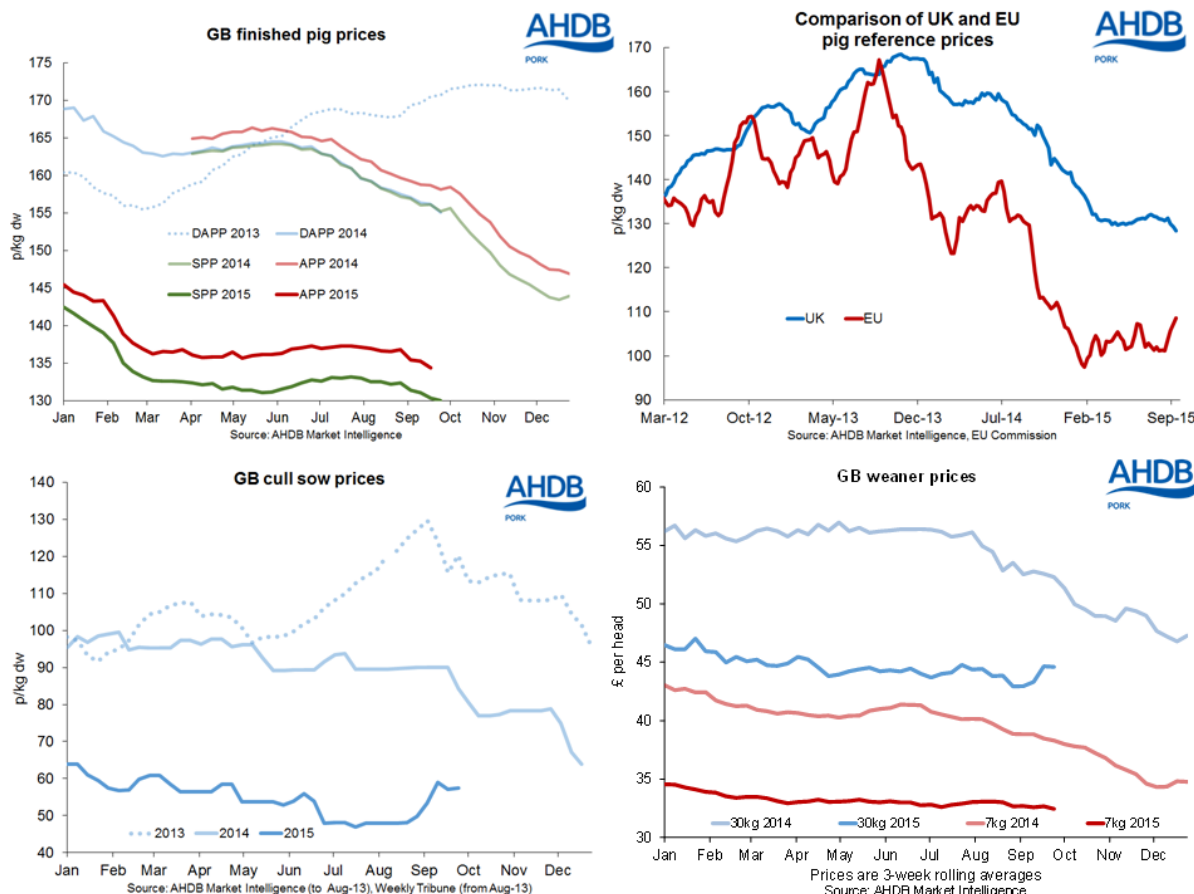


October 2015

UK PRICES

Having increased slightly in June and July, GB pig prices eased back in August, with the EU-spec APP averaging 136.78p/kg, 0.4p down on the previous month. Some easing of prices is normal at this time of year as demand is reduced during the school holidays. Nevertheless, the market remained well balanced, with a spread of little more than a penny in prices over the last six months. Plentiful supplies, subdued consumer demand, a weak EU market and unfavourable exchange rate remain the main factors keeping prices low. The monthly price was 24p lower than the same month last year. Prices continued to fall in early September, with the APP for week ended 19 September reaching 134.45p/kg.

The EU-spec SPP followed a similar trend, falling by 0.57 between July and August to 132.45p/kg. The gap between the two series increased slightly to 4.33p and remains substantially higher than a year ago. Again, further price falls were seen into September, with the SPP standing at a new low of 130.07p/kg for week ended 26 September.



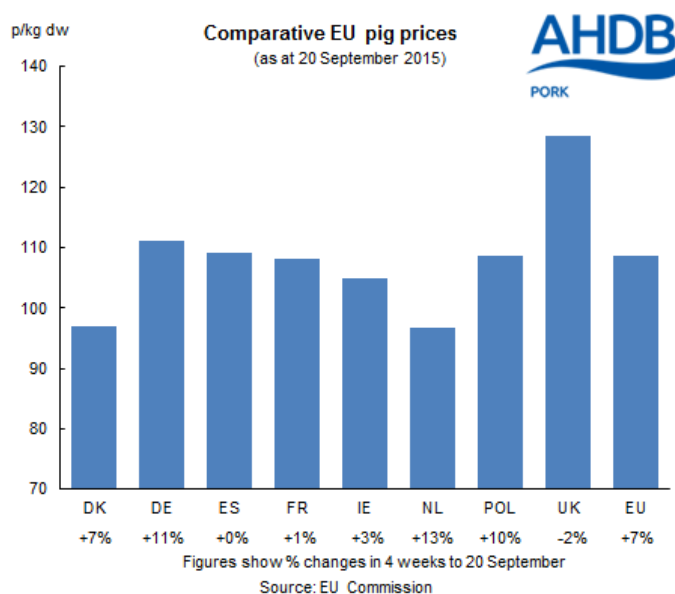
The average carcass weight in the APP sample for August was slightly higher than in July but, at 80.1kg, was unchanged from the same month last year. This is the first time that the monthly average weight has not increased year on year since December 2012, a time when high feed prices meant pigs were being marketed earlier than normal. With weights remaining below year earlier levels into early September, this suggests that fewer pigs are being rolled than was the case last autumn, perhaps an indication that supply and demand are more closely aligned than they were

then. Nevertheless, weights are increasing in line with the normal seasonal pattern, with faster increases in the APP sample suggesting this is particularly the case for premium pigs.

The weaner market also remains stable, albeit with prices at a low level. The monthly average prices for both 7kg and 30kg animals fell by a few pence again but both are within a pound of their level in March. At £32.80 per head, 7kg weaners sold for around £6 less than in August 2014, while the 30kg average of £43.87 was a bit under £10 down on the year. As well as the subdued finished market, limited accommodation was a factor in the reduced prices, although cheap feed will have provided some support.

EU PRICES

The EU average pig reference price as at week ended 20 September was up nearly €7 compared with 4 weeks earlier, at €149 per 100kg. Prices have edged up in recent weeks and are back to levels last seen in mid-June, having been mildly fluctuating but with no clear direction during the summer. Despite this small increase, the average price is still down by around 6%, or €10 per 100kg, on the same week last year. Increased supplies so far this year have been met by demand which has been weak both within and outside of the EU, although exports have picked up lately.

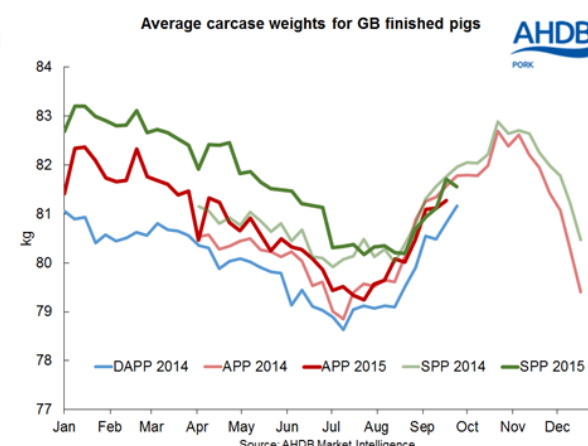
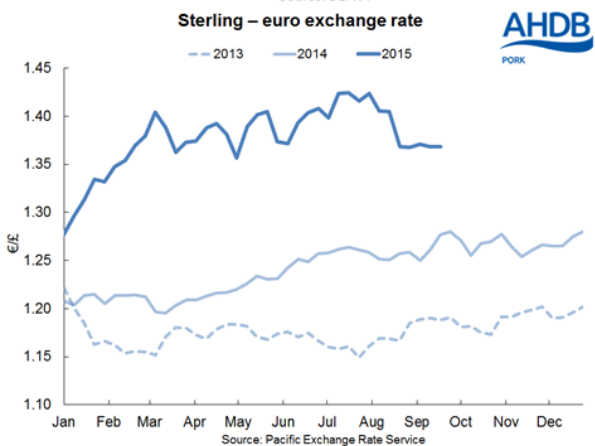
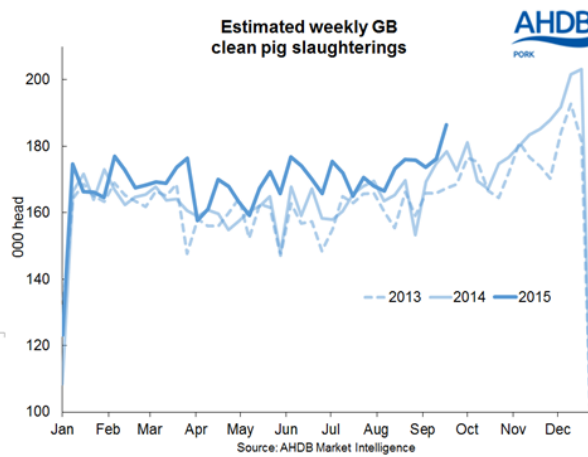
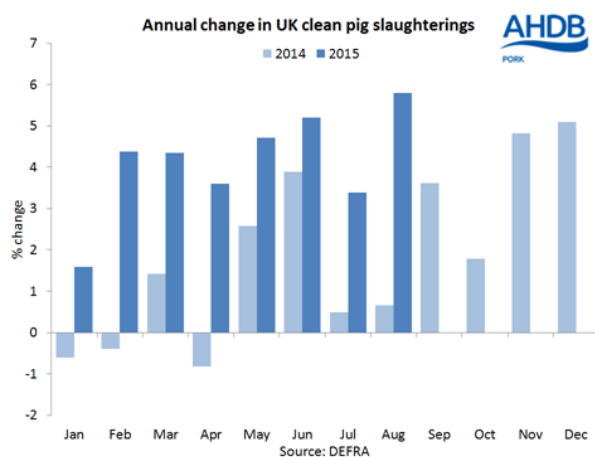


In recent weeks, prices in northern Europe have been performing better than in southern Member States. For example, over the latest four weeks, the German price rose, by €12 and the Danish by €6 but Spanish and French prices fell, by around €4 and €2 per 100kg respectively. The end of the holiday season will have had some influence, reducing demand in the south but supporting it further north.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK pig meat production totalled 68,400 tonnes in August, a 6% increase compared with a year earlier. The number of clean pigs slaughtered reached 819,900, also up 6% on the year. The year on year growth in slaughterings was noticeable across the whole of the UK, with numbers in England and Wales up 6%, while slaughterings in Northern Ireland and Scotland showed smaller gains of 4% and 1% respectively. This means clean pig slaughterings in the UK have been consistently higher year on year since April 2014. Numbers in the first eight months of 2015 are at 7.0 million, up 4% on 2014. However, average carcass weights in August fell 0.1kg compared to a year earlier at 80.2kg.

For the third consecutive month, sow and boar slaughterings were above the previous year's levels, with a 6% increase recorded in August at 18,300 tonnes. This was potentially due to low prices for finished pigs leading producers to scale back their operations. Overall pig meat production in August was up by 6% on the year, at 68,400 tonnes, following the increases in production from both clean pigs and sows and boars. This leaves production in the first eight months of the year up 5% at 592,300 tonnes.



In July the UK imported 10% more pork year on year at 32,100 tonnes according to the latest HMRC trade data, reaching the highest level since December 2014. Volumes from the UK's largest supplier, Denmark, accounted for most of this increase, with volumes up by 14%. However, shipments from the second and third largest suppliers, Germany and the Netherlands, decreased by 6% and 2%. Imports for the first seven months of 2015 were 1% higher than the same period in 2014 but, with prices still well down on last year, the value of imports was down by 15% at £350 million.

Bacon imports in July decreased by 2% on last year to 21,700 tonnes, as a 28% fall in shipments from Denmark was not fully offset by higher shipments from the Netherlands and Germany. Imports of sausages increased by 23% year on year.

Pork exports from the UK were down by 7% in July at 15,200 tonnes. Much of the fall was due to lower shipments to China, which were 35% down year on year. Volumes sent to the UK's largest market, Germany, were up by 13% on last July. Despite July's lower volumes, overall exports in 2015 to date were up 1% compared with 2014, at 103,000 tonnes. The value of exports decreased by 10% year on year in the first seven months to £106 million, due to unit prices being 12% lower, although in euros the price fall was only 1%.

Offal exports continued to recover in July, with volumes up 63% on the year. The majority of this increase was in volumes going to China, which were up 134% at 2,600 tonnes. Increases were also seen across a number of smaller markets in Asia, while volumes going to the Netherlands and Ireland were the only falls of the significant offal markets.

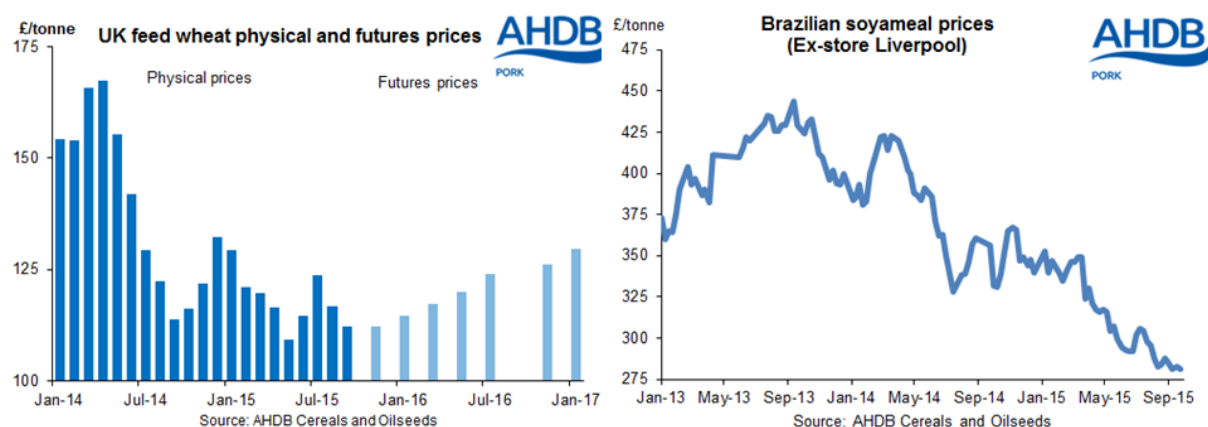
FEED MARKET

UK Nov-15 feed wheat futures prices closed at £115.80/t on Friday 25 September, up £1.80 since the start of September. Despite this increase in price, UK feed wheat futures (Nov-15) fell to a contract low of £110.45/t on 18 September. Chicago (Dec-15) wheat futures prices closed \$7.90 higher than at 1 September, at \$186.55/t on Friday. Paris maize futures (Nov-15) closed at €165.25/t on Friday (25 September), down €1 since the beginning of the month. In contrast, Chicago maize futures (Dec-15) closed up \$7.87 since 1 September, at \$153.15/t on Friday.

After some speculation, the Chinese government confirmed its intention to continue maize stockpiling into 2015/16. However, in an attempt to reduce feed grain prices for the benefit of the Chinese livestock sectors, the price offered by the government to growers will be 10% lower than 2014/15. This is likely to reduce the incentive to import alternative feed grains in the short term but, longer term, how Chinese farmers react to lower state prices will be key.

India, the key exporter of maize to Southeast Asia has experienced its first back to back droughts in 30 years. This is expected to cut India's summer sown maize output by 15%. While global maize supplies are ample, the decrease in availability from India could help underpin global prices for maize, which recently hit a 10 month low.

EU wheat output is forecast to reach within 1% of last year's record high, according to Strategie Grains. However, maize crop estimates were cut to an 8-year low of 57.4Mt, due to reductions in expected yields. Although wheat estimates have increased, wheat export prospects will be less strong in 2015/16, due to tough competition from Black Sea countries.



Defra's final June crop area figures for England were released this month, recording little change from the provisional figures released last month. Nevertheless, the total area of cereals in 2015 has decreased by 2.3% year on year. Wheat recorded the largest reduction in area, falling to 1.69Mha compared to 1.8Mha a year earlier. Barley, however, increased by 5.6% year on year to 748Kha as at 1 June 2015.

Nov-15 Chicago soyabean futures closed at \$326.71/t last Friday, up \$5.60 since 1 September. Paris rapeseed futures prices (Nov-15) closed at €369.75/t, up €8.25 on the month. On Friday 25 September, UK delivered rapeseed (November, Erith) was £265.50/t, up £4 compared with 4 September. Expectations for the 2015/16 Brazilian soyabean crop were upgraded by local analysts Safras & Mercado; planting has just begun in Brazil. At 100.5Mt, the projection is 0.7Mt higher than predicted in July due to a larger expected area.

China imported 29% more soyabeans in August 2015 than August 2014. This takes total imports by the country in 2014/15 (Sep-Aug) to 76.1Mt, up from just over 70Mt the previous season but slightly below the USDA's forecast of 77Mt.

Defra's final crop area figures for England show that the total area of oilseed crops declined by 3% year-on-year. While the overall area decreased slightly, the area of spring planted oilseed rape more than halved from 13Kha in June 2014 to 6Kha in June 2015. Winter oilseed rape recorded a more modest decrease of 2% compared with last year.

CONSUMPTION

In the 12 weeks to 16 August 2015, the amount of pork purchased remained down on a year earlier, as shoppers continue to switch to categories such as fresh chicken and chilled ready meals, according to Kantar Wordpanel. There was less sold across nearly all cuts in this period, with pork belly, mince and leg joints contributing the largest losses

There were fewer promotions in the supermarkets across most of the cuts this year. Pork chops/steaks not only saw an overall fall in promotional activity but a noticeable shift away from volume-driving Y for £X deals to price promotions. Roasting joints were down by 5% in volume terms in the Big 4 Multiples. Pork shoulder which has been performing well of late, saw volumes fall by 4% on the year, as fewer households purchased the cut and the amount purchased per shopping trip was also down. A year on year fall in levels of promotional activity contributed to this.

In contrast, bacon volumes were up as average prices fell 4% year on year. The Hard Discounters contributed the majority of the gains. However, similar price falls did not prevent an annual decline in the amount of ham and other sliced cooked meats sold. Premium sausages again pushed overall sausage volumes up, as they were the only category to grow in the period. Heavy Y for £X promotions or price promotions in some of the major retailers were the main drivers of growth.

The share of the retail price received by producers increased marginally in August reaching 35.5%, the highest point since February. During the month farmgate prices fell by less than 1%, while the average retail price saw a sharper fall of 2%. This leaves the measure four points back on August 2014, as farmgate prices remain well below levels from last year although retail prices were also lower.

Trends in retail meat purchases (period ended 16 August 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	-1	-3	+2	-2	-3	-1	-3	-2
Pork	-4	-10	-7	-4	-8	-5	-5	-9	-5
<i>Belly</i>	-19	-18	+2	-12	-12	-0	-8	-9	-1
<i>Chops/Steaks</i>	-5	-13	-8	-2	-9	-7	-7	-11	-5
<i>Leg Roasting Joint</i>	+18	-8	-22	-8	-23	-16	+1	-9	-10
<i>Loin Roasting joint</i>	-17	-20	-3	-2	+1	+3	-9	-11	-2
<i>Shoulder Roasting joint</i>	-7	-13	-6	-4	-3	+1	-1	-7	-6
<i>Marinades</i>	+16	+14	-2	+10	+8	-1	+4	+0	-4
<i>Ribs</i>	-6	-3	+3	+2	+4	+1	+2	+1	-1
<i>Mince</i>	+17	+14	-2	-16	-24	-10	-0	-5	-5
Bacon	+1	-2	-3	+2	-2	-4	+0	-1	-2
Beef	+2	+3	+0	+1	+2	+1	-1	+0	+1
Lamb	-4	-2	+1	-7	-6	+1	-5	-6	-1
Poultry	+6	-1	-6	+6	-0	-5	+2	-2	-4
Processed products									
Pork Sausages	+2	-1	-2	+2	-1	-3	+0	-1	-2
Fresh Pre-packed Pork Pies	-4	-2	+2	-2	+1	+3	-1	+1	+2
Fresh Pre-packed Sausage Rolls	+4	-3	-7	+6	+0	-5	+2	-2	-4
Pork Sliced Cooked Meats	-2	-7	-6	-1	-5	-4	-2	-4	-2
Pork Chilled Ready Meals	+11	+8	-3	+10	+7	-3	+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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