

## In this Issue

### UK outlook

UK pig meat production is expected to rise in 2016 for a seventh consecutive year, according to the latest supply forecasts from AHDB Pork. With the EU market also well supplied and prices on the continent well below UK levels, a further increase in imported pork is also predicted. With the relatively strong pound still limiting export growth, this means that there should again be more pig meat available on the UK market next year. More analysis of the forecasts can be found on **page 4**.

### Consumer trends

The reasons behind consumers' shopping choices have changed as their lifestyles have altered. There has been a steady drive for convenience, linked to changing household structure and busier lives. Turn to **page 5** to find out what this means for consumption of proteins and, in particular, pork.

### EU forecasts

The growth in EU pig slaughterings seen over the last year is expected to continue until at least the middle of 2016, albeit at a slower rate than in the first half of 2015. That conclusion is based on analysis of figures provided by the EU Commission's forecast working group for pig meat. Read more about the group's forecasts of production and prices on **page 7**.

### Global outlook

Global pork production in 2015 is estimated to increase by 1%, according to the latest global outlook report published by the USDA. This trend is expected to continue into 2016, with production increasing to 112.0 million tonnes. With much of this growth in exporting countries, shipments are expected to increase this year and next but where the extra pork will go next year is less certain. To read more about the outlook for global pig market, turn to **page 8**.

### Trans-Pacific Partnership

On 5 October, agreement was reached on a new trade deal, the Trans-Pacific Partnership (TPP), with the USA, Canada, Mexico, Japan, Australia and New Zealand among the countries involved. Although the full details are yet to be published, information about how the deal could affect the pork market can be found on **page 10**.

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## Key data

	Sep-15	Change since Aug-15	Change since Sep-14
Average GB carcass weight - kg	81.21	+1.15	-0.28
30kg weaner price - £/head	44.37	+0.50	-7.97
7kg weaner price - £/head	32.69	-0.11	-5.64
GB APP (Euro-spec) - p/kg dw	134.88	-1.90	-23.87
GB SPP (Euro-spec) - p/kg dw	130.75	-1.70	-25.32
EU Reference price - €/100kg dw	146.57	+3.76	-11.74
UK Reference price - €/100kg dw	176.18	-7.39	-13.71
UK weekly clean pig kill - 000 head	207.2	+2.1	+1.7
UK weekly pig meat production - 000 tonnes	17.6	+0.4	+0.1
UK pork imports - 000 tonnes*	30.1	-2.2	+2.3
UK bacon imports - 000 tonnes*	19.5	-2.2	+0.8
UK pork exports - 000 tonnes*	15.1	-0.1	+0.6
Retail pig meat sales - 000 tonnes†	52.8	+0.2	+0.2
LIFFE feed wheat futures - £/tonne	112.71	-4.09	-1.22
CBOT Soyameal futures - \$/tonne	311.12	-24.91	-60.01

\* Figures relate to August 2015  
 † Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 13 September 2015

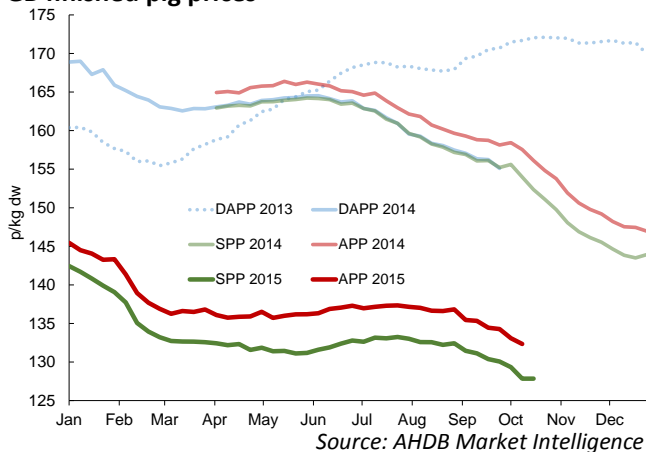
Interested in data? Get more detail about these and other areas from the [AHDB Pork website](#)  
 We are now on Twitter. For regular updates about the UK pig market and related publications, follow us @HowarthStephen

## UK Market Snapshot

The EU-spec APP averaged 134.88p/kg in September, the lowest monthly average since the APP series began in April 2014 and 1.90p down on the previous month. Prices continued to decrease in the first two weeks of October, falling to 132.34p/kg in week ended 10 October. Not only is this price the lowest since the APP started, compared to the DAPP series that ended in September 2014, it represents the lowest price since January 2009. The weak euro against the pound and low EU prices mean imported pig meat is cheaper than domestic meat, keeping GB prices low. High supplies, combined with the Russian import ban and the Chinese economy easing are contributing factors to the weakening of the EU market.

The EU-spec SPP recorded a similar fall in September, with a monthly average of 130.75p/kg, down 1.70p month on month. While the gap between the two series decreased slightly to 4.13p/kg, it remains above the 4p threshold. Prices in October followed the downward trend, with the SPP hitting a new low of 127.84p/kg in week ended 17 October.

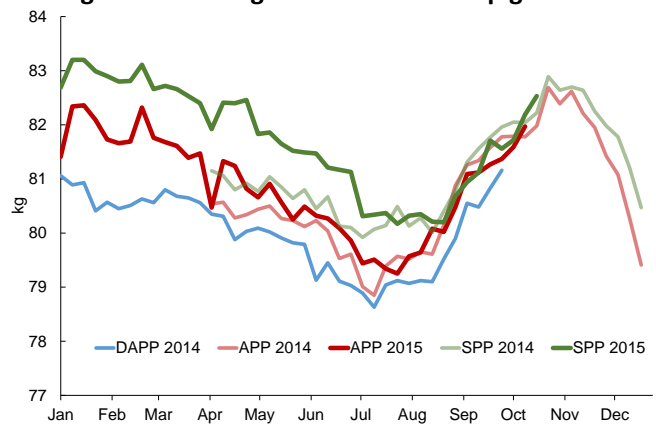
### GB finished pig prices



Despite the lower pig prices, the weaner market appears to have remained stable. The monthly average price for 7kg weaners recorded a slight month on month decrease in September of 11p to £32.69 per head. However, the monthly 30kg weaner price increased by 50p on the month to £44.37 per head. Compared to September 2014, 7kg weaners sold at under £6 less, while 30kg animals were worth £8 less.

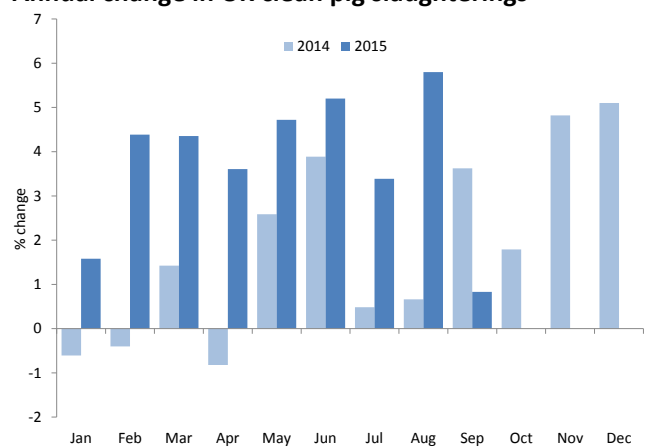
In September, the average carcass weight in the APP sample increased on the month to 81.21kg, a 300g decrease from the same month in 2014. This is the first time that the monthly average carcass weight has decreased year on year since December 2012. While feed prices in December 2012 were high, meaning pigs were being marketed earlier, in September feed prices were relatively low. This suggests supply and demand were better balanced than a year before, when there were widespread reports of pigs being rolled by processors. The average carcass weight remained close to year earlier levels in the first two weeks in October. However, weights are following the usual seasonal increasing pattern seen in previous years.

### Average carcass weights for GB finished pigs



UK pig meat production totalled 70,200 tonnes in September, a 1% increase compared to the same time a year earlier. The total number of clean pigs slaughtered in the UK recorded a minimal increase of 1% year on year, to 828,600 head. Northern Ireland recorded the largest increase of slaughterings in September, of 3% year on year, with marginal increases in the rest of the UK. The number of clean pigs killed in the first nine months of 2015 was 4% up on 2014 at 7.8 million head. UK pig meat production was also up, by 5% year on year to 662,500 tonnes, up to the end of September.

### Annual change in UK clean pig slaughterings



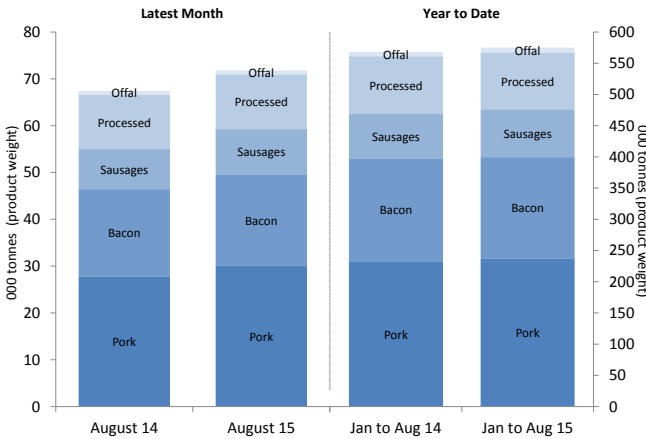
Sow and boar slaughterings in September recorded an 8% increase compared to the same point in 2014, at 20,300 head. This is the fourth consecutive month that cullings have been above the levels seen last year. While it may be that the increase in slaughterings is due to lower profitability for producers, it could potentially be due to a higher replacement rate of older sows amongst the UK breeding herd. Nevertheless, sow and boar slaughterings for the year to date were down by 1% on the year at 183,100 head.

UK imports of pig meat increased in August, compared with a year earlier, according to latest figures from HMRC. Pork imports were 8% higher than in August 2014 at just over 30,000 tonnes, the highest figure for August since 2008. This is the third consecutive month with rising imports. If this trend

# UK Market Snapshot

continues, it could put further pressure on UK pig prices, especially as the unit price was well down; the value of pork imports was 10% lower than a year earlier, at £49.2 million. Among the major suppliers, only the Netherlands sent less pork to the UK, with notable increases from Denmark, Belgium, both up 14%, and Spain, from where volumes were up by more than 50%.

## UK Pig Meat Imports

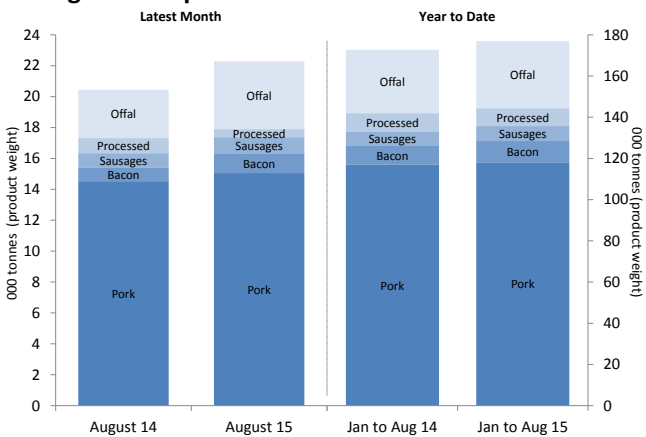


Source: Her Majesty's Revenue & Customs

Bacon imports were also higher, up 4% year on year, with lower Danish shipments offset by higher volumes from all other major suppliers. Again, the value of the trade was 10% lower, however, at £41.9 million. It was a similar picture for processed imports, with higher volumes but much lower prices than in August 2014. Strong sausage shipments from Germany and the Netherlands contributed.

After a weaker month in July, UK pork exports were 4% up on the year in August, at 15,100 tonnes. Despite the weak euro, sales to the rest of the EU were up 9% on the same month last year, with rising shipments to Ireland, Germany and several smaller markets. Exports to China were also well above August 2014, although this was more than offset by lower shipments to Hong Kong. Although unit prices were lower, the fall wasn't as great as for imports, so the value of exports was down just 3%, at £16.3 million.

## UK Pig Meat Exports



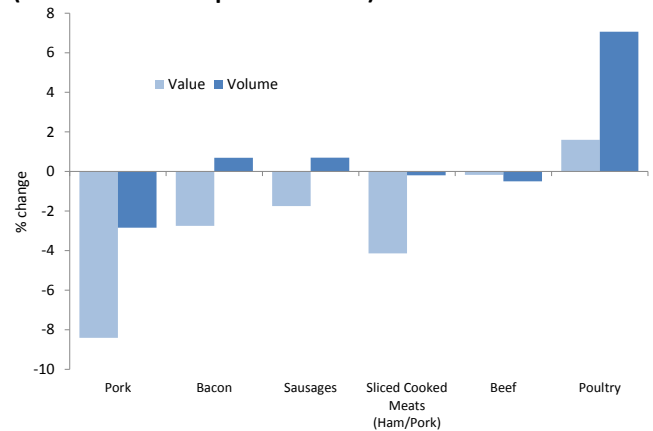
Source: Her Majesty's Revenue & Customs

Although much smaller in volume, exports of bacon and sausages rose strongly in August. Offal exports were also much higher, with strong growth to both EU and non-EU markets. In particular, sales to China nearly doubled, only partly offset by lower shipments to Hong Kong.

Over the 12 week period ending 13 September, pork sales were down across all cuts except shoulder and 'other cuts' (due mainly to marinades). Pork continues to lose sales as consumers switch to chicken, chilled ready meals and main meal accompaniments. Year on year, levels of promotional activity by retailers were also down across most of the major cuts. Whilst overall sales were down, the Hard Discounters continued to buck the trend, accounting for a record 16% share of pork volume sales in the latest three months.

The amount of chops/steaks purchased continues to fall, despite lower average retail prices, and this resulted in a 9% drop in spending. An increase in roasting joint sales in the Hard Discounters was more than offset by declines in the Big 4 Grocers. However, pork shoulder enjoyed a 9% increase in volume sales, driven by a strong performance in the latest four weeks, when average prices were down by 10%.

## Annual percentage change in retail meat purchases (12 weeks to 13 September 2015)



Source: Kantar Worldpanel

Bacon volumes have remained stable compared with a year ago, as average prices dropped by 4% year on year. The Hard Discounters continue to perform strongly; by contrast, the Big 4 Grocers all saw sales decline. Premium sausages and low fat sausages were the only types to register growth in the latest 12 week period. Premium sausage growth was led by an increase in price promotions.

Falling farmgate prices throughout September led to the share of the retail price received by producers declining to 35%. Farmgate prices dropped by over 1% during the month, recording the largest change since March this year. Average retail prices remained unchanged from August, although they continue to be 2% behind the corresponding time period in 2014. The producer share of the retail price is five percentage points below the figure for 2014, as farmgate prices have recorded a much steeper fall than retail prices.

# UK Market Analysis

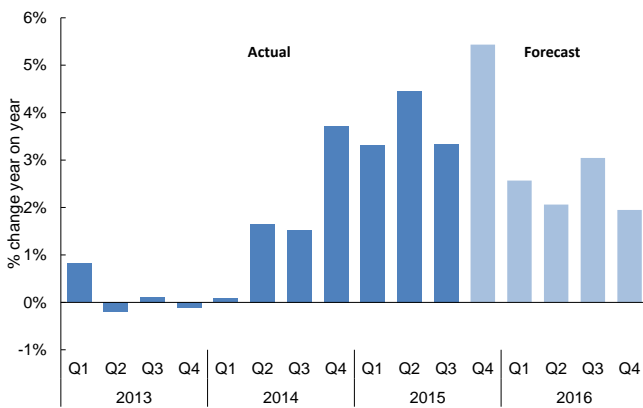
## UK market set to remain well supplied in 2016

UK pig meat production is expected to rise in 2016 for a seventh consecutive year, according to the latest supply forecasts from AHDB Pork. With the EU market also well supplied and prices on the continent well below UK levels, a further increase in imported pork is also predicted. With the relatively strong pound still limiting export growth, this means that there should again be more pig meat available on the UK market next year.

Although doubts remain about how accurately Defra's June survey represents the true size of the UK pig herd, it does show a broadly stable breeding herd. This is supported by other evidence, for example the relatively low level of sow slaughtering so far this year and the small change in production of compound sow feed. Therefore, productivity growth remains the main driver of pig slaughterings.

Analysis suggests that productivity continues to increase at a similar rate to recent years, on the assumption that the breeding herd has been largely steady. In the absence of any major disease outbreaks, there is little reason to think that this rate of improvement can't be sustained. Higher productivity in other countries demonstrates that there is room for improvement and investment in genetics, training and research continue. As a result, clean pig slaughterings are likely to rise again next year, albeit possibly at a slightly slower rate than in 2015.

### Actual and forecast change in UK clean pig slaughterings



Sources: Defra (actual), AHDB Market Intelligence (forecasts)

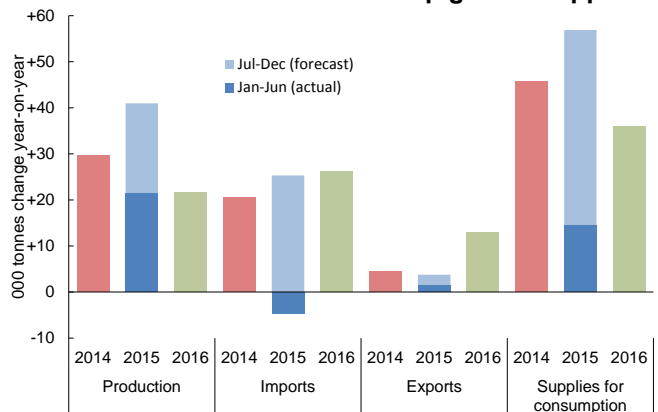
In late 2014 and early 2015, carcase weights were well above year earlier levels, meaning that pig meat production growth was running ahead of slaughtering. However, in recent months weights have been close to last year's levels, albeit rising seasonally of late. This trend is expected to continue into next year, unless there is a change in price levels, either for pigs or for feed. Therefore, production growth is forecast to be broadly in line with slaughterings and, hence, slightly slower than was the case in 2015. This might be somewhat mitigated by an expected return of sow slaughterings to more normal levels, given a slightly older breeding herd.

With extra supplies of British pig meat on the market, prices will inevitably remain under pressure unless demand picks up. At the moment, there is relatively little sign of that happening, with retail pig meat sales remaining subdued and fresh pork's share falling. This suggests that the increased supplies are being absorbed by the lower-value foodservice and manufacturing sectors. Certainly sales of ready meals are up, as is the frequency with which people are eating out.

Of course, the overall level of pig meat supplies on the domestic market also depends on how much is being imported and exported. So far this year, there has been a modest increase in imports, thanks to growth in recent months. Although it's not yet clear whether this trend will continue, it seems probable that imports will grow steadily in the second half of 2015, having been slightly lower in the first. With EU prices set to remain low (see page 7), imports may rise again next year, although slightly tighter EU supplies may limit growth to some extent.

The strength of the pound against the euro has limited UK exports this year, so only minimal growth is anticipated for 2015 as a whole. Developments next year will depend, in part, on how the exchange rate moves. Assuming the euro doesn't weaken too much further, more growth should be possible, particularly if the UK gains access to export trotters to China. The global trading environment is likely to be tough next year, however, so growth will probably still be modest.

### Actual and forecast trends in UK pig meat supplies



Sources: Defra, HMRC, AHDB Market Intelligence

Balancing all these factors out, supplies available for consumption on the domestic market are forecast to be higher again in 2016, albeit with slower growth than has been seen in 2015. This will keep prices under pressure, with the direction they take depending, as always, on how demand responds. So far, lower prices don't seem to have translated into increased demand for pig meat. However, as the economy continues to improve, it is possible that retail pork sales will pick up and lend some support to pig prices.

To read more detail about the latest AHDB/BPEX forecasts for pig meat supplies, [click here](#).



# UK Market Analysis

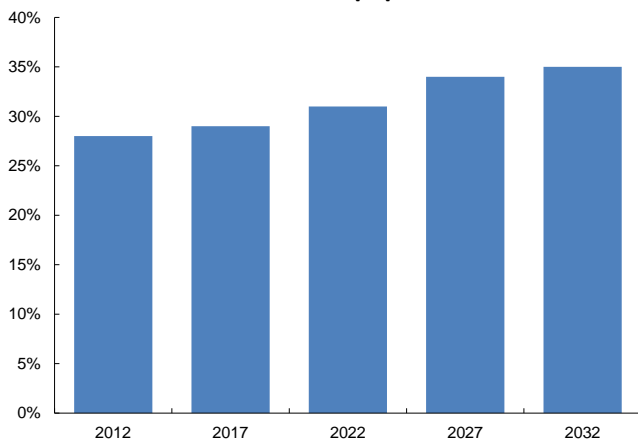
## Changing consumption trends require innovation

The reasons behind consumers' shopping choices have changed as their lifestyles have altered. There has been a steady drive for convenience, linked to changing household structure and busier lives. Consumption of all proteins at home declined over the year ending 24 May 2015, according to the latest data from Kantar Worldpanel. This comes amidst a recovery in the frequency of consumers eating out and competition from alternative convenient meal options. Over this time, the number of meals featuring pork was down 4%. However, innovative new dishes such as pulled pork could help to keep the category relevant.

Family size has been changing for a long time, with more one and two person households, which, as a result, means fewer family meal occasions. This change in household size has affected the way we cook and the quantity of products we buy. In particular, there is a clear reduction in the number of roast dinner meal occasions, which usually require larger joints of meat.

The ageing population is also a focus for the industry, as the older age group grows. In 2012, over 60s accounted for 28% of the UK population; it is predicted by the ONS that by 2032 they will account for 35%. On the face of it, this would appear to be good news for pork, as it has an older shopper profile compared to other red meats. However, over 65s are more likely to cook with a microwave as they feel it's not worth cooking for one or two, despite having the knowledge and tradition.

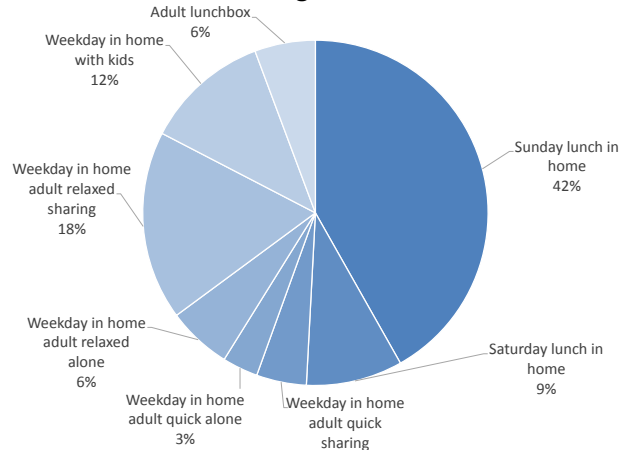
### Over 60s as % of the UK adult population



Cooking from scratch has declined in 18 of the last 20 years. There is an increased desire to cook but decreased time for it, with the average cooking time for the main meal now 31 minutes. These changes in household structure and increased time pressures have influenced the type of meals Britons consume. Over time, the emphasis has shifted to dishes rather than a primary protein, as was the case 20 years ago. This has been a challenge for pork, given that only 10% of meal occasions containing pork are dish-based meals, the lowest of any of the major proteins. The exception is

Sunday lunch, where more time is available for preparation. Some 42% of fresh meat consumed at lunchtimes is eaten for Sunday lunch, showing the strength of this traditional occasion.

### Lunchtime meals involving fresh meat



Source: Kantar Usage, 2015

With the growing change in lifestyles, consumers have less time and so providing meal solutions will be key to success in the future. Examples could be cuts of meat that are ready marinated or meal packs that include all the ingredients for a dish such as meatballs, rather than the traditional way of presenting meat in cuts. While convenience is a particularly strong driver for the ageing population, as they do not have the desire to cook for themselves, it is also a strong focus for the millennial generation. While the first cohort of millennials are now in their early thirties, most members of this group are at the beginning of their careers and will be important consumers in the decades to come.

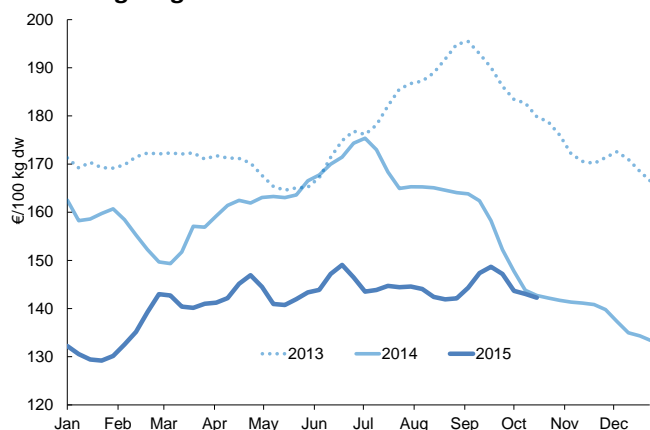
Consumers are willing to pay more for these convenient solutions and these lines could further benefit from a gradual easing of purse strings as consumer confidence increases. Budgeting has become less important; working to a strict budget is now the fastest declining attitude change since 2012. Another important trend linked to the recent rise in consumer confidence is healthy choices. Nearly a third of consumers choose products because of their health implications, which has steadily risen since 2013.

The long term population change, alongside busier lives, has created the need for more convenience and this causes a problem for pork which is traditionally associated with protein centred meals. There is a need for innovation in order for pork to compete with other meal solutions. This can also help to address issues with carcass balance by encouraging use of cuts which are less often used at the moment. AHDB Pork's recent campaign promoting pulled pork, which will be repeated next year, is aimed at addressing these issues, as well as changing consumers' perceptions of pork, particularly among younger age groups, by showcasing how delicious and easy to cook pulled pork is.

## EU Market Snapshot

Having recently attempted to push above €150 per 100kg for the fourth time this year, the EU average pig reference price has again fallen back, as there was insufficient demand to justify the higher price at current levels of supply. By week ended 18 October, the average price was back to just over €142 per 100kg, close to the average for the year to date. This is now less than a euro below the price a year ago, the smallest gap since June 2014. Four weeks earlier, the price had reached nearly €149, the second highest quote of the year but this price level couldn't be sustained. With EU pig supplies remaining relatively plentiful and consumer demand subdued, the market is still pressured.

### EU Average Pig Reference Price

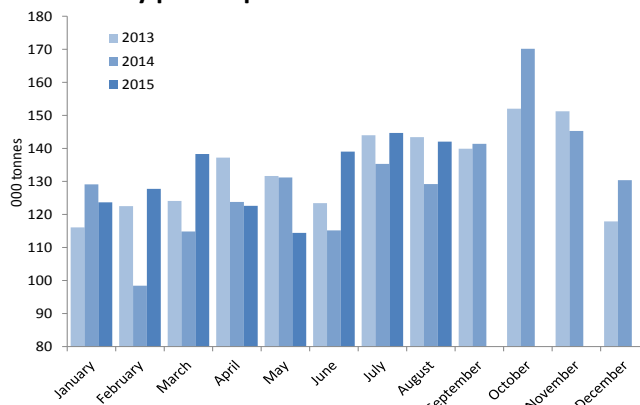


Source: EU Commission

While most major producers recorded falling prices over the last month, the drops were most severe in southern member states. For example, Spanish prices dropped by over €11 per 100kg in the four weeks to 18 October, while Italian and French quotes were also down by €11. Further north, prices in Germany were only €6 lower over the same period, while Dutch and Polish ones fell slightly more. However, the overall weakness wasn't replicated in Denmark, where prices in the latest week were unchanged over the last month. With a slight strengthening of the euro against the pound, the gap between UK and EU reference prices narrowed slightly, to below €29 per 100kg (21p/kg) in the latest week.

For the third month in a row, EU pork exports were up on a year earlier in August, increasing by 10% to 142,000 tonnes. This was almost entirely due to the strength of the Chinese market, with shipments more than doubling compared with August 2014. This is the third month in a row when sales of EU pork to China have reached new heights. This growth meant that over a third of EU pork exports in August were destined for China. The importance of the Chinese market is emphasised by the fact that shipments to the other major Asian markets, Japan, South Korea, Hong Kong and the Philippines, all fell. These four markets accounted for over half of EU exports in August 2014 but this year took only 500 tonnes more than China did on its own.

### EU monthly pork exports

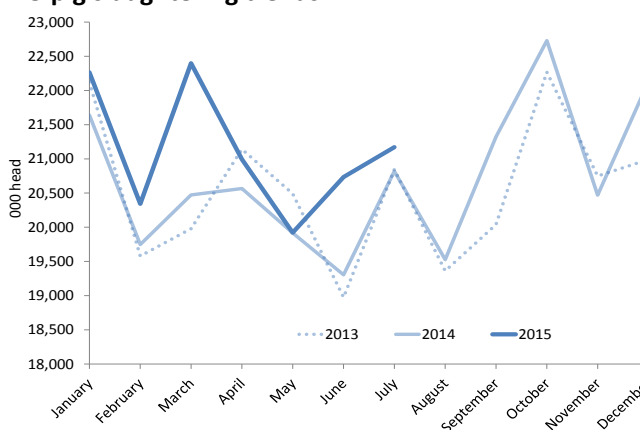


Source: Eurostat, GTIS

Despite the growth in volumes, lower prices meant that the value of exports was only 1% up year on year, at €310.9 million, during August. The increasing diversity of cuts being shipped to China, however, was reflected in a 25% rise in the unit price, meaning the value of this trade nearly trebled.

EU pig meat production continued to show year-on-year growth in July but, at 2%, the increase was smaller than in the first half of the year. Output totalled 1.87 million tonnes during the month. The overall growth was due to a combination of heavier carcass weights and more pigs being slaughtered. Throughputs were up just under 2%, compared with the same month last year, at 21.2 million head. Nevertheless, daily slaughterings were at their lowest level since the same month last year, as supplies tightened seasonally. The total number of pigs killed in the year to date reached 147.8 million head, 4% more than in the first seven months of last year, with pig meat production up 5% year on year, at 13.3 million tonnes.

### EU pig slaughtering trends



Source: Eurostat

One of the main reasons for the slowdown in growth during July was that, for the first time this year, Spain slaughtered fewer pigs than a year before. The same was true of the Netherlands, while France also reduced throughputs. However, this was offset by higher kills in many other major producers, including Belgium, Denmark, Germany and Poland. Despite these varying trends, almost all EU countries have slaughtered more pigs so far in 2015 than a year earlier.

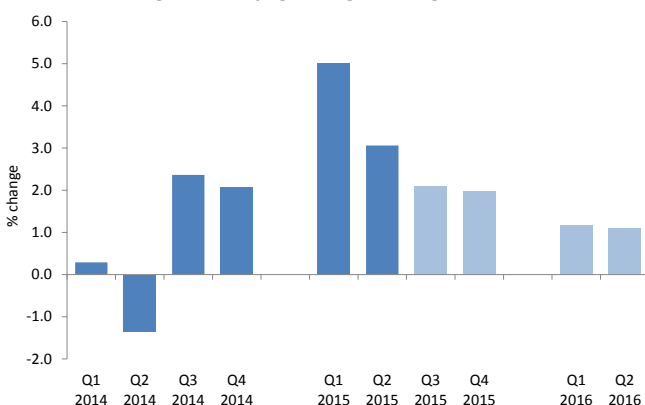
# Global Market Analysis

## Little sign of EU market recovery

The EU pig market has remained subdued throughout 2015 so far. Prices have struggled to move much above €140 per 100kg, well below the levels recorded in most recent years. Although this can be partly attributed to the ongoing impact of the Russian import ban, supply and demand on the EU market are the main factors. EU consumers remain cautious, given the fragility of the economic recovery, so demand for meat is limited and pig meat is no exception. At the same time, EU pig meat production has increased; in the first seven months of 2015, output was 5% up on the same period last year.

This growth in EU pig slaughterings is expected to continue until at least the middle of 2016, albeit at a slower rate than in the first half of 2015. That conclusion is based on analysis of figures provided by the EU Commission's forecast working group for pig meat, which met this month. The group is made up of experts from nearly all the major producing member states and so its forecasts take account of differences in market conditions across Europe.

### Annual change in EU pig slaughterings



Sources: Eurostat, EU Commission pig meat forecasting working group

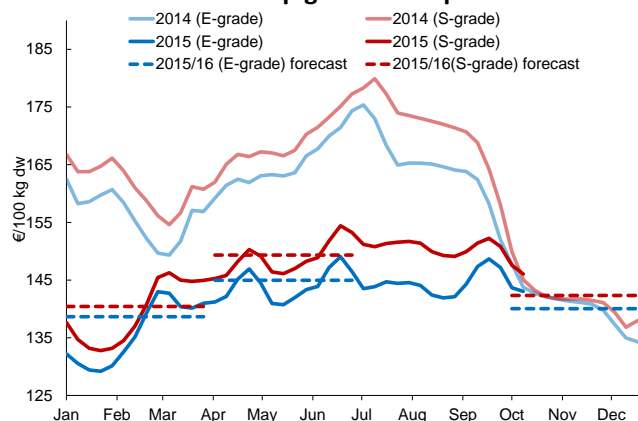
The group forecasts that pig slaughterings will rise by around 2% year on year in the second half of 2015, with growth slowing to around 1% in the first half of 2016. In fact, many of the main producing Member States are forecasting that pig numbers will be little changed from year earlier levels. For example, German production in early 2016, excluding imported pigs, is forecast at 23.2 million head, almost identical to the number in January-June 2015. Danish production is also set to be steady, while a small drop is expected in France.

However, this general stability is forecast to be outweighed by more strong growth in Spanish output. The June survey showed a further 2% increase in the Spanish breeding herd over the previous year, contrasting with declines in some of the other major herds. This growth means that Spanish production is expected to continue to rise strongly, although perhaps even here the rise may begin to slow by the second quarter of next year.

These forecasts are broadly consistent with the EU Commission's [Short Term Outlook report](#), published earlier this month, which forecasts a 2.7% increase in pig meat production for 2015 and a 0.5% rise in 2016. This suggests that output growth may slow further in late 2016 and production may even begin to decline slightly.

The forecast slowdown in production is attributed to the impact which low prices are having on pig breeding herds. Herd reductions have not been as large as they might have been so far, however, partly due to low feed costs. Nevertheless, with the EU average reference price now having been below €1.50 per kg for over a year, finances are becoming increasingly difficult for many producers.

### Actual and forecast EU pig reference price



Source: EU Commission and pig meat forecasting working group

The working group's figures don't offer much comfort for struggling farmers. They forecast that prices will remain at or below current levels until the spring and, even then, will only show a modest seasonal uplift. This would leave prices close to the levels seen in late 2014 and early 2015. Although feed prices look set to remain low too, this will mean producers remain under pressure and a further decline in the breeding herd remains a strong possibility. If this happens, we may yet see a tightening of supply from mid-2016 onwards.

As always, there are factors which could have an influence on market developments. Most obviously, any relaxation of the Russian ban could lead to a price recovery. Prices may also find some support if the proposed Private Storage Aid scheme is implemented but the extent of the impact will depend on its design.

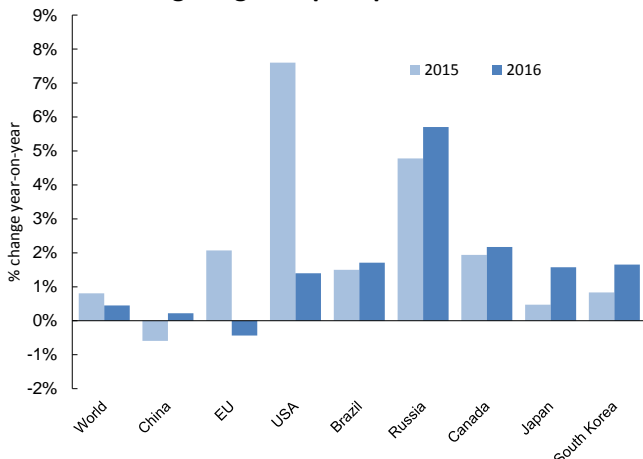
However, on the flip side, export markets look set to be increasingly challenging. Chinese demand is currently supporting EU exports and, hence, the pig price but it is not clear how long this will last for. With other export markets having cooled as 2015 has progressed, it is not clear where the EU will be able to sell its excess pork next year. All in all, therefore, it looks as though 2016 is likely to be another challenging year for EU producers, with little chance of the EU market providing much support to UK prices.

# Global Market Analysis

## Slow growth expected for global pork production

Global pork production in 2015 is estimated to increase by 1% compared to the previous year, resulting in total volumes of 111.5 million tonnes, according to the latest global outlook report published by the United States Department of Agriculture (USDA). This trend is expected to continue into 2016, with production increasing to 112.0 million tonnes. Marginal increases across a range of countries will offset a reduction forecast for the EU. However, it should be noted the EU Commission forecasts a small increase in EU output, so global growth may be a bit stronger than USDA suggests.

### Forecast change in global pork production



Source: USDA

USDA's forecasts record that China will continue to be the dominant producer of pork going into 2016, with output remaining stable. After three consecutive years of contraction, Chinese swine inventories are set to be unchanged on the year. With lower feed costs and higher pork prices supporting farmers, there is an opportunity for them to rebuild their herds, following the recent declines. A lower level of slaughterings next year will be offset by higher carcase weights, resulting in production remaining stable.

Pork production in the US is forecast to continue increasing, by 8% in 2015 and by a much smaller margin of 1% in 2016. Record volumes will be seen in 2016, when production is estimated to total 11.3 million tonnes. The US pig herd has been increasing, with figures at 1 September representing the largest herd since quarterly estimates began in 1988. This shows that the US pork industry has recovered from the effects of PEDv, which were apparent in 2014.

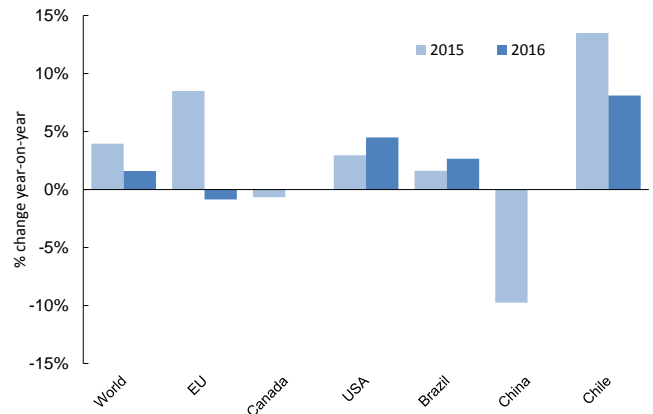
The ongoing depreciation of the Brazilian real looks to have a continued impact on Brazilian trade. Exports are forecast to increase in both 2015 and 2016, by 2% and 3% respectively. This will be driven by an increase in production, with volumes totalling 3.5 million tonnes in 2016. With Russian sanctions still in place, Brazil is in a favourable position to trade with Russia, replacing the shipments which would have previously come from Europe, Canada or the US. More than half of Brazil's

exports of fresh and frozen pork are destined for Russia, highlighting the significance of this market. As expected, imports from other major traders into Russia will continue to be reduced in 2016.

Global pig prices have continued to be a problem for producers, with the EU average reference price remaining below €1.50/kg for more than a year, for example. However, the strength of export markets, most recently China, has provided producers with a valuable market. In 2015, global pork exports increased by 4% and are estimated to increase once again in 2016, albeit only by 2%.

US exports are estimated to grow in line with production in 2016. As a result of this, the US is predicted to overtake the EU as the largest exporter of pork, although again the EU Commission is more optimistic for EU exports, forecasting a small increase between 2015 and 2016. Brazil and Chile are also expected to increase shipments, while Canadian volumes are set to remain unchanged.

### Forecast change in global pork exports



Source: USDA

Where all this pork will go is less certain, particularly if, as expected, Chinese demand reduces in the second half of next year. Most of the world's main importers are projected to take less pork or show slower growth than in 2015. Markets such as China, Mexico and South Korea, which have seen strong growth in 2014-15, are forecast to require only slightly more pork next year. With a further sharp reduction in Russian imports expected, much will therefore depend on exporters' ability to develop smaller markets, which is likely to require lower prices. This could mean that global prices remain under pressure in 2016.

Whilst the global pork trade is one of the main factors which affects prices, it is important to consider the adverse events which can play a significant role in the market. Last year, prices were running at a much higher level as disease outbreaks forced pressure on supplies. This highlights the volatility of the market and the difficulty associated with forecasts of production, particularly on a global scale. Therefore, some uncertainty remains about how the global market will develop in 2016.

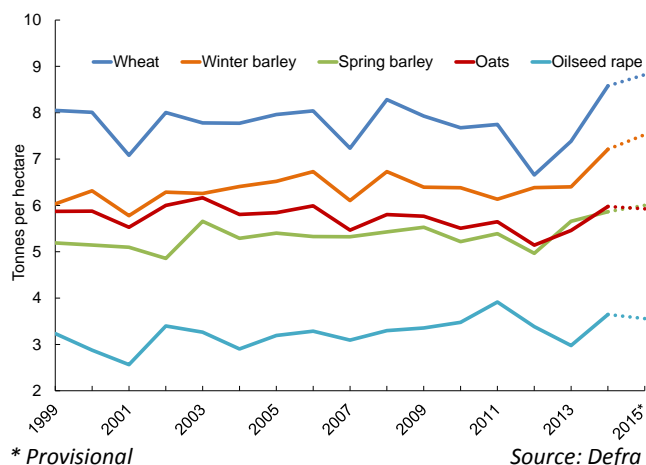


## Feed Market

Nov-15 UK feed wheat futures closed at £113.50/t on Wednesday 21 October, down £3.35 since 1 October. Despite the overall fall in price, as at 9 October they were at the highest price since the middle of August but by Tuesday 20 October, the closing price was the lowest for nearly a month. Chicago wheat futures prices (Dec-15) closed \$8.63 down compared with 1 October, at \$181.77/t on 21 October. Dec-15 Chicago maize futures followed the downward trend, closing at \$149.90/t on Wednesday 21 October, down \$3.15 compared to the beginning of the month.

The provisional data released on Tuesday 20 October by Defra shows that UK wheat, spring barley and winter barley yields reached new records in 2015. Wheat yields increased by 2.8% year on year to 8.8t/ha, while winter and spring barley increased by 4.4% and 2.3% to 7.5t/ha and 6t/ha respectively. It is important to remember these yields are calculated from the production and area figures but nevertheless they give a good indication of the trends.

### UK average crop yields

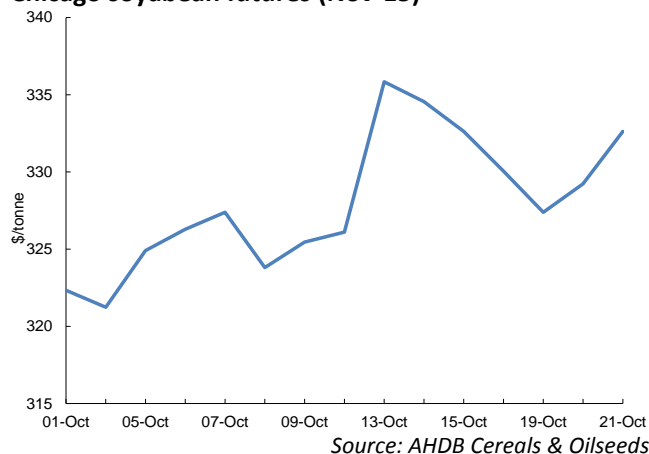


AHDB Cereals & Oilseeds' Early Balance Sheet for wheat and barley was published on Tuesday 13 October. While the volume of total animal feed production is expected to stay the same or to be slightly lower, cheaper grain prices are anticipated to increase cereals use in animal feed production. The usage of wheat in animal feed is forecast to increase by 1%, due to its price competitiveness compared to other feed components. The proportion of barley used in animal feed in 2014/15 was relatively high and, assuming it remains competitive, barley demand in feed rations is expected to remain similar to last year.

Strategie Grains increased its 2015/16 EU wheat production forecast by 2Mt, to a record 149.5Mt. Wheat stock estimates have also been increased to 18.4Mt, 4.9Mt higher year on year. This follows a cut in demand as forecast wheat usage in animal feed was reduced by 500Kt, as the share of barley and maize in animal feed is expected to increase. Strategie Grains also reduced forecast EU wheat exports, due to France losing out to the Black Sea nations on trade to North Africa.

One of the leading maize producers, Ukraine, had harvested just over half of its maize as at Friday 16 October, according to the Agriculture Minister. Ukraine is expecting to harvest 22-23Mt of maize this year, a decrease from 28.5Mt in 2014. Recent dryness in Ukraine and western Russia has caused concerns about this year's maize yields and next year's wheat crop. However, with wet weather forecast, this concern is likely to be short lived.

### Chicago soyabean futures (Nov-15)



Chicago soyabean futures prices (Nov-15) closed at \$332.59/t on Wednesday 21 October, \$10.29 up since 1 October. Following the upward trend, Nov-15 Paris rapeseed futures closed €13 higher than at 1 October, at €381.75/t. UK rapemeal (34%, ex-mill, Erith) prices as at Friday 16 October had increased by £11 to £168/t, compared with the start of the month. However, Brazilian soyameal (48% ex-store, Liverpool), was at £280/t, down by £2 compared to Friday 2 October.

The main driver of rising oilseed prices in mid-October was encouraging signs of demand from China. The USDA reported private export sales of 235Kt of US soyabeans to China as at Wednesday 14 October. Furthermore, the latest US export sales data for soyabeans showed total export commitments for the week ending 8 October at the higher end of trade expectations.

Concerns over dryness in Brazil, one of the top global producers of soyabeans, had arisen over the last couple of weeks but this has been described as an overreaction as the soyabean planting pace in Brazil has picked up. The Brazilian soyabean crop was 13% complete as at 16 October and, according to analyst AgRural, planting is ahead of last year's pace, although behind the historical average. Further rainfall is forecast which should help plantings progress further.

On 9 October, the USDA published its latest world supply and demand estimates. US soyabean production was revised 1.3Mt lower than the September report, to 105.8Mt. The revision was at the low end of trade expectations, which created some support for oilseeds markets. The expected drop in production is a result of a smaller harvested area.

## In Brief

### New trade deal could affect global pork trade

On 5 October, 12 countries around the Pacific Rim reached agreement on a new trade deal, the Trans-Pacific Partnership (TPP). The deal covers 40% of the world's economy, with the USA, Canada, Mexico, Japan, Australia and New Zealand among the countries involved. Although the full details are yet to be published, it is expected that many tariffs on agricultural products, including meat, will be reduced or eliminated. The main pork importers among TPP signatories are Japan, Australia and Mexico. The US, Canada and Chile are all pork exporters.

The TPP is expected to develop new market opportunities for the US pig meat industry, in particular. The United States is the second largest global exporter of pork after the EU and both countries are in competition on many of the 12 markets that are included in the TPP. Two thirds of US exports already go to the other members of the TPP, although some of this trade is already duty free, such as that coming under the North American FTA (Mexico and Canada) and exports to Australia and Singapore. For the EU, the proportion is just under 30% and so any competitive advantage to the United States could put some of this trade in jeopardy, at least until the EU secures its own trade agreements. The EU is in negotiation with countries in the ASEAN region such as Singapore and Vietnam, both importers of pork from the EU, but progress is slow. EU trade negotiations with Japan started in November 2012.

Japan is among the largest markets for EU Pork exporters, yet for the US the TPP means duties on more than 65% of tariff lines will be eliminated within 11 years and on nearly 80% within 16 years. In addition, the gate price specific duty will be reduced by 90% in 11 years. Smaller markets where the United States should be able to increase its market penetration include Vietnam, where tariffs that are currently as high as 34% will be eliminated in 5-10 years. The same applies to New Zealand, for which tariffs that are currently up to 5% will be eliminated within 3 years.

### Value of pork traded within EU falls

Around 3% more pork was traded between EU Member States in the first half of this year, compared with a year earlier, according to figures from Eurostat. However, with unit prices around 10% lower than in January-June 2014, at just under €1.90 per kg, the value of the trade

was 7% lower. With around 5% more pig meat produced in the EU during the period and exports to non-EU markets only slightly higher, an increase in trade was perhaps inevitable. Nevertheless, the figures do suggest that a higher proportion of output was retained in its country of origin this year, which will have added to price pressure on some markets.

### Danish pork exports continue to grow

Danish pork exports for the first six months of 2015 continued to show modest growth, with levels totalling 555,000 tonnes, up by 1% on the same time period in 2014. Despite this rise, the total value fell by 9%. The EU remains the primary market for Danish pork, with exports increasing 3%, while sales to non-EU markets decreased by 3%. Following recent trends, Danish live pig exports have continued to grow, reaching over 6.5 million head for the first half of 2015. Sales increased by 10%, while Polish purchases rose by a further 27%.

### US pig herd recovery is complete

As at 1 September, the US pig herd had increased to 68.4 million head, 4% up on the same point in 2014 and representing the largest herd since quarterly estimates began in 1988. A year before, the effects of the PEDv outbreak were still lingering but it appears that the US herd has now recovered. The US breeding herd and the number of piglets both recorded a 1% increase but the number of sows farrowing between June and August decreased by 2% year on year, with estimates of sows farrowing for the next two quarters decreasing as well. The number of piglets weaned per litter reached a record high of 10.39.

### Global focus for Grain Market Outlook conference

This year's AHDB Grain Market Outlook conference emphasised the global nature of today's agricultural markets. The four speakers all had much to say about global developments and how these impact on the UK markets for cereals and oilseeds. Presentations covered the outlook for grain markets, the link between the oilseeds market and crude oil, the macroeconomic outlook and the Transatlantic Trade & Investment Partnership (TTIP). A summary of the grain market outlook presentation from the conference is now available by [clicking here](#). Copies of all of the slides from the conference can be downloaded by [clicking here](#) (large file) and videos of the speakers are available from the AHDB Cereals and Oilseeds [YouTube channel](#).

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