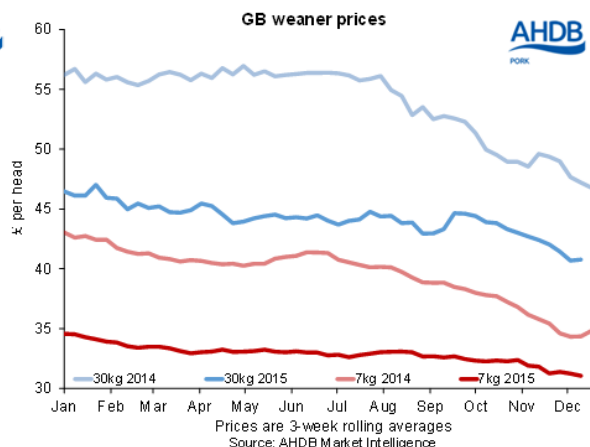
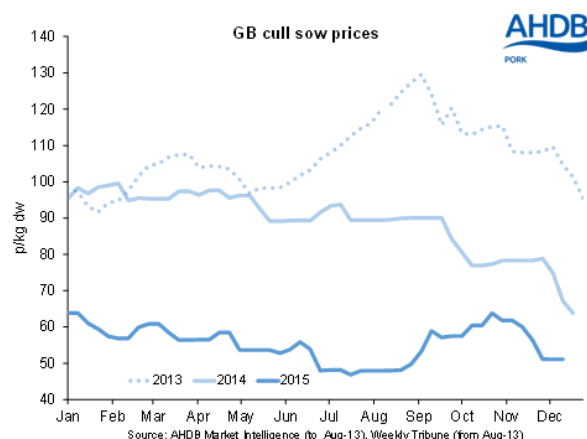
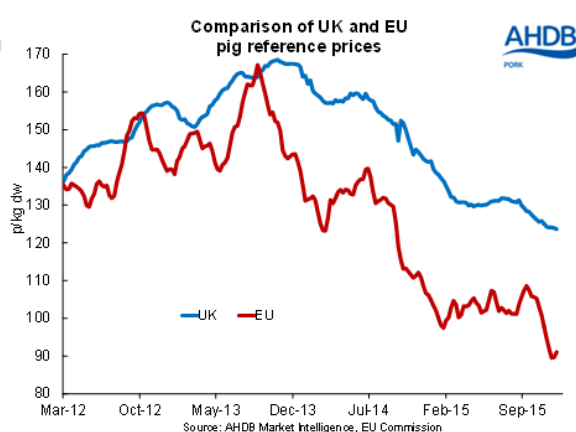
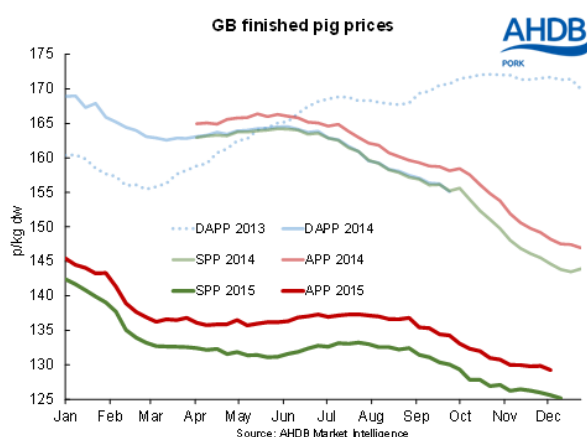


UK PRICES

GB pig prices continued to drift downwards during November, with the EU-spec APP averaging around 2p lower than the previous month, at 129.91p/kg. The last time the monthly pig price was below 130p/kg was in May 2008. Nevertheless, with prices falling faster at the same time last year, prices were only 20p lower than in November 2014, the smallest gap of the year so far. The modest imbalance between supply and demand which has been apparent since August continued, in part due to a challenging consumer market for pig meat. Falling EU pig prices also contributed to the downward pressure. With the market situation similar into December, the EU-spec APP dropped a little further, to stand at 129.25p/kg in the first week of the month.

The gap between APP and SPP narrowed slightly in November, as the latter fell by only around 1.5p, to average 126.25p/kg. The difference of 3.66p/kg was the smallest since January, suggesting that prices for premium pigs may have fallen slightly more than average in recent weeks. By week ended 12 December, the SPP had fallen close to 125p/kg but the year-on-year drop was below 19p.



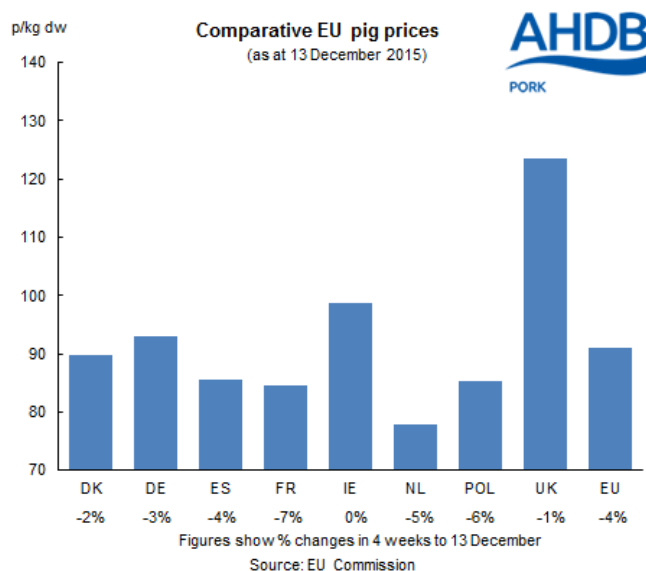
The average carcass weight of pigs in the APP sample during November was a fraction under 82kg. This was around 200g lower than in October but similar to November 2014. As normal, weights peaked in early November before starting to fall as the Christmas procurement period entered full swing, building demand and leading to some pigs being pulled forward ahead of the holiday shutdowns. Having been well up on the year at the start of 2015, carcass weights have tracked close

to year earlier levels since the middle of the year. Despite the slightly lighter carcasses, the average probe measurement during November was 0.2mm higher than in October at 11.6mm.

The GB weaner market continued to take its lead from the finished pig market, with prices for both 7kg and 30kg animals easing slightly during the month. The average price of a 7kg piglet was £31.46 per head in November, around 80p lower than the previous month and over £3 below November 2014. There was a slightly bigger fall of nearly £2 for 30kg store pigs, to £41.47 per head, £8 down on the year.

EU PRICES

Since its most recent peak in late September, the EU average pig price has fallen for 12 consecutive weeks, losing nearly €23 per 100kg during that time. The latest quote, for week ended 13 December, was €126.02 per 100kg, the lowest level recorded since April 2005. In sterling terms, the average price has now dropped below 90p/kg. Reports suggest that the recent declines have mainly been demand driven, as EU consumers continue to buy less pork and other pig meat products. In the latest weeks there has been some sign of prices stabilising but the market usually falls further post-Christmas. Whether that happens this year may depend on how successful the EU's Private Storage Aid scheme is when it opens on 4 January.



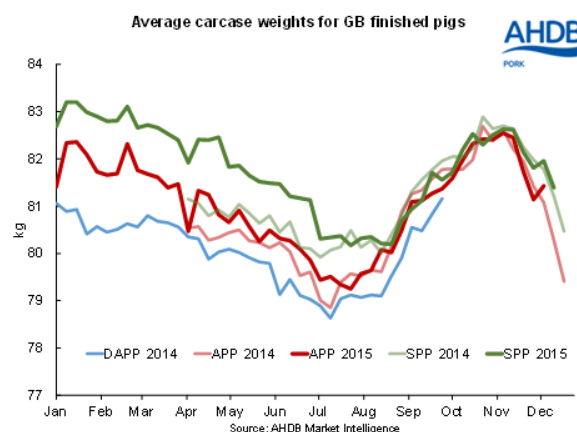
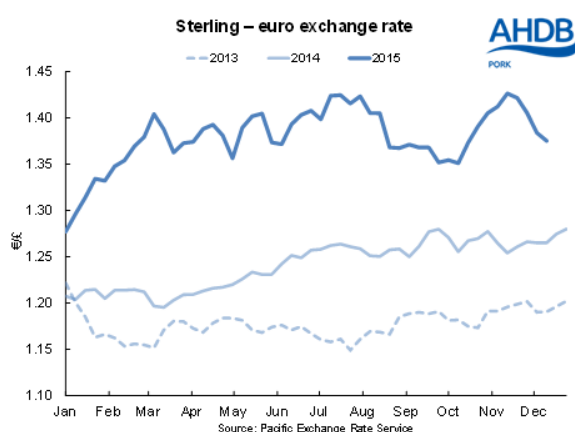
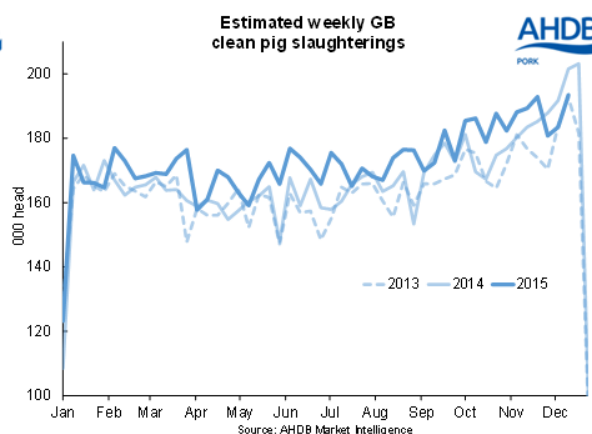
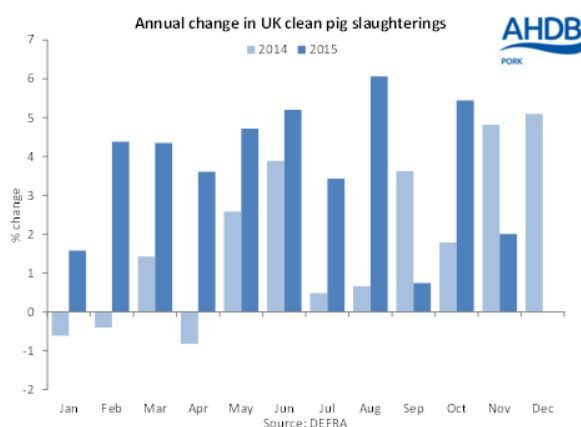
Price falls were apparent over the last month across all the major producing Member States. Even Danish prices were forced down by €5 in late November. Prices in Germany stabilised over the last two weeks but were nearly €11 lower than a month before, with similar trends in Belgium, the Netherlands and Poland. Spanish prices followed the same direction but the monthly fall was slightly lower. French prices continued to fall, though, recording the largest drop among major producers, of €14 compared with five weeks before. With UK prices broadly stable in euro terms, the gap to the EU average was up to around €45 per 100kg (33p/kg).

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK pig meat production during November was only 1% higher than a year earlier, at 75,300 tonnes, according to latest figures from Defra. Other than September, this was the lowest growth rate since early 2014, when production was still being affected by the reduction in the breeding herd due to high feed prices during 2012. Clean pig slaughterings during the month were up 2% compared with

November 2014, at 885,800 head. This meant weekly slaughterings were at their highest level for any month since November 2000. Throughputs in England and Northern Ireland were both up 2% year on year, but there was a 1% fall in the Scottish kill.

The higher slaughterings were partly offset by lighter carcasse weights. The average clean pig carcasse weighed 81.7kg during November, around 600g less than a year before. This was the fourth month in a row when weights have been below 12 months earlier but this follows particularly sharp increases last autumn. Sow slaughterings continued the recent trend and were 5% above 2014 levels, at 19,700 head. However, that is more a reflection of the low level of cullings last year than any sign that the sow herd may be starting to shrink, as recent figures have been close to long-term averages.



For the third time in four months, UK pork imports rose strongly, compared with a year earlier, in October. At 33,900 tonnes, shipments were 11% higher than in October 2014. The growth was largely down to a 20% rise in imports from Denmark, mainly made up of bone-in legs, and a surge in purchases from Spain. The latter continues a recent trend, as shipments nearly doubled to 3,100 tonnes. With prices remaining much lower than last year, the value of pork imports was down 1% at £55.7 million.

In contrast, bacon imports were 6% down on the year, at 22,900 tonnes. This was largely down to lower shipments from Denmark, suggesting more pork is being imported for curing in the UK, as appears to have been the case for most of the year. There were small increases from the two other major suppliers, the Netherlands and Germany. Imports of sausages were up on October 2014 but less processed product, mainly hams, was imported.

UK pork exports in October were little changed from a year earlier, at 17,400 tonnes. Increased sales to Ireland, China and the Netherlands were offset by lower volumes sent to countries such as Germany, Denmark and Hong Kong. There were strong sales to the United States, which took three times as much UK pork as in October 2014 and accounted for over 5% of the monthly total. A 5% year-on-year fall in average prices meant that the value of exports was down by a similar amount, at £18.9 million.

Cured and processed pig meat exports were lower, mainly due to reduced sales to Ireland. However, October was another good month for UK pig offal exports, which were nearly 60% higher than a year before, at 5,600 tonnes. Apart from Ireland, all significant markets took more this year, led by an 80% rise in shipments to China.

FEED MARKET

UK feed wheat futures prices have fallen slightly over the past month, with most of the decline recorded in the first two weeks of December. The May-16 contract closed at £116.50/t on 16 December, down from £118 on 18 November, a total fall of 1%.

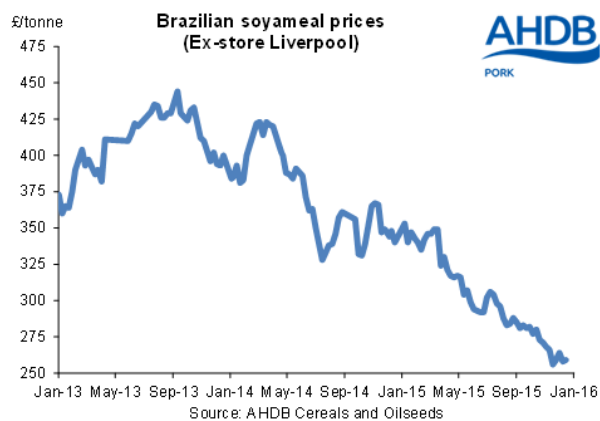
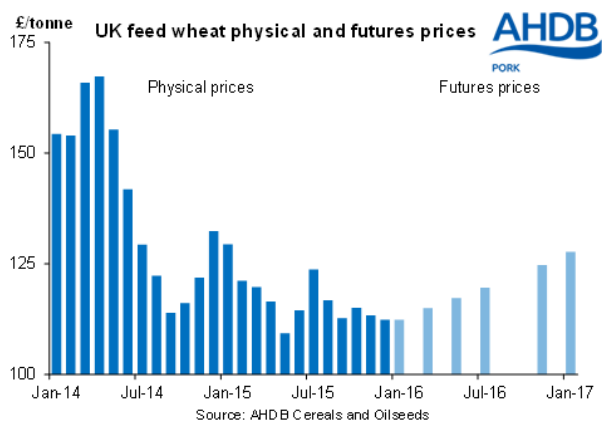
Despite the USDA increasing its global wheat production forecasts and Argentina cutting export tax on wheat and maize, US grain futures prices closed slightly up on the month. This is partly due to the US dollar weakening against several currencies over the past week. Both May-16 Chicago wheat and maize futures prices recorded a very slight increase over the period, of \$0.28 and \$0.69/t.

Global wheat stocks are still heavy, which was reiterated by the latest world supply and demand estimates from the USDA. World wheat stocks forecasts were revised up by 2.6Mt on the previous month to 229.9Mt. The upward revision on the November estimate is due to higher production estimates for Canada and the EU, which had forecast increases of 1.6Mt and 0.4Mt respectively month on month. Global wheat production for 2015/16 is forecast at 734.9Mt, 1% higher than 2014/15.

Demand for cereals used in animal feed is forecast down by 2% for 2015/16, compared to the previous season, according to the latest Defra UK balance sheet. Nevertheless, usage of wheat in rations is forecast to increase, due to its current price competitiveness compared with other feed grains. The inclusion of barley, maize and oats in animal feed rations is expected to decline for 2015/16, compared to the previous season.

According to updated trade data from HMRC, the UK exported over 195Kt of wheat in October, which was the biggest monthly tonnage since March. October's results take the 2015/16 cumulative exports to 518Kt (July-Oct); wheat imports to end-October equated to 574Kt, meaning that the UK is still a net importer of wheat so far this season. Additionally, cumulative maize imports reached 557Kt at the end of October, the most at this point in the season since 2007/08.

Defra's final crop production and yield figures released on 17 December revealed an upward revision of 250Kt to UK wheat production, compared with estimates made in October. This takes UK wheat output to 16.4Mt, the fourth biggest harvest on record, reflecting the favourable growing conditions for harvest 2015. While the wheat area was down by 5% year-on-year, production has only shown a decline of 1%, with record yields the driving force behind the second consecutive 16Mt+ crop.



May-16 Chicago soyabean futures prices closed at \$319.31/t on 16 November a small gain of \$0.92 from 18 November. From 27 November, the contract rose for 6 consecutive days to \$335.84/t on 4 December, before falling again until 16 November.

The fall in soyabean prices from the start of December can be partly attributed to the new President of Argentina's decision to cut export taxes on soyabeans, in a bid to try and rejuvenate the nation's agricultural sector. As export taxes have been cut by five percentage points to 30%, it is expected that greater volumes of Argentinian soyabeans will be available in the international export market.

This sentiment was reiterated by the latest USDA supply and demand estimates released last week. The forecast for global soyabean trade was increased by 0.5Mt from the November forecast, following the expectation of greater supplies coming forward from Argentina.

Over the same time period (18 November – 16 December), Paris rapeseed futures prices (May-16) fell by 2% (€7.50) to €367.75/t. UK rapemeal prices (34%, ex-mill, Erith) were £139/t on Friday 11 December, £11 lower than 13 November.

Although Paris rapeseed futures declined over the last month, during the last week of November they received a boost on the back of palm oil markets. A combination of a stronger palm oil market and currency influences supported Paris rapeseed futures prices; as at 26 November, the Feb-16 contract closed at the highest level since 10 August and was almost €10/t up on the week. However, prices have been in decline since then.

Domestically, ADAS's latest Crop Development Report for Autumn 2015 suggested that almost all winter oilseed rape (OSR) crops are in good condition heading into winter, despite cabbage stem flea beetle (CSFB) being a key priority for farmers. The mild conditions and moist seedbeds allowed the winter OSR crop to establish very well during the autumn so far. Looking ahead, factors affecting prospects for the crop include the ability to control pigeons effectively, manage large crop canopies, disease and pest pressure, such as slugs, going into the spring.

CONSUMPTION

Over the 12 week period ending 8 November, the volume of pork retail sales continued to fall, with 560,000 fewer shoppers buying than a year earlier, according to Kantar Worldpanel. Combined with average prices falling and even though there were slightly fewer promotions, this has reduced total expenditure. Chops and leg & shoulder joints were the biggest drivers of the decline, although pork steaks registered small levels of growth within the period.

As with other proteins, pork mince has seen growth, with a 5% increase in volume but, with prices falling, total expenditure was still down. The only other area of growth has been within 'pork other' which consists predominantly of marinades, with greater household penetration and a higher volume purchased per trip.

There was a 4% decline in bacon volumes over the same 12 week period, despite a fall in price, mainly due to shoppers switching to other products and buying less. Low-fat sausages were the only category which saw gains over the latest 12 weeks. There is evidence that health is becoming a bigger driver for consumers, with a recent YouGov survey showing 34% of respondents are looking to reduce saturated fat levels in their diet. Meanwhile, ham volumes remained stable, with average price reductions lowering total spending, with switching from loose to prepacked products.

Trends in retail meat purchases (period ended 8 November 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	+0	-3	-3	+1	-2	-3	-0	-3	-3
Pork	-2	-7	-5	-4	-9	-5	-5	-10	-5
<i>Belly</i>	-5	-2	+3	-1	-2	-1	-7	-8	-1
<i>Chops/Steaks</i>	-3	-7	-5	-7	-12	-5	-7	-12	-5
<i>Leg Roasting Joint</i>	-3	-18	-16	-11	-24	-14	-4	-15	-12
<i>Loin Roasting joint</i>	+5	+2	-2	-6	-12	-6	-10	-12	-2
<i>Shoulder Roasting joint</i>	-10	-18	-9	-3	-13	-11	-2	-9	-6
<i>Marinades</i>	+42	+52	+7	+33	+43	+7	+10	+9	-1
<i>Ribs</i>	-14	-14	+0	+8	+3	-5	+4	+1	-2
<i>Mince</i>	+7	-7	-13	+5	-2	-6	-1	-6	-5
Bacon	-5	-11	-6	-4	-7	-3	-1	-3	-2
Beef	-1	-1	+0	+0	+0	-0	+0	+0	+0
Lamb	+13	+12	-1	+8	+6	-2	-1	-3	-2
Poultry	-1	-3	-2	+4	-0	-4	+3	-2	-5
Processed products									
Pork Sausages	-7	-9	-2	-4	-6	-2	-1	-3	-2
Fresh Pre-packed Pork Pies	+5	+4	-0	+5	+6	+0	-0	+1	+1
Fresh Pre-packed Sausage Rolls	+12	+7	-5	+8	+4	-4	+4	-0	-4
Pork Sliced Cooked Meats	-1	-6	-5	+1	-4	-4	-1	-4	-3
Pork Chilled Ready Meals	-1	-4	-3	+0	-0	-1	+9	+7	-2

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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