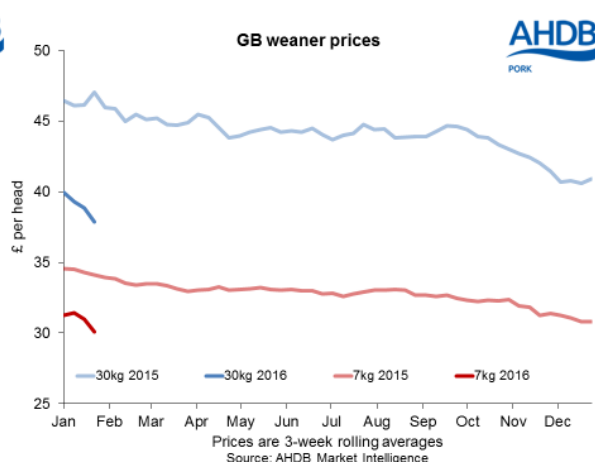
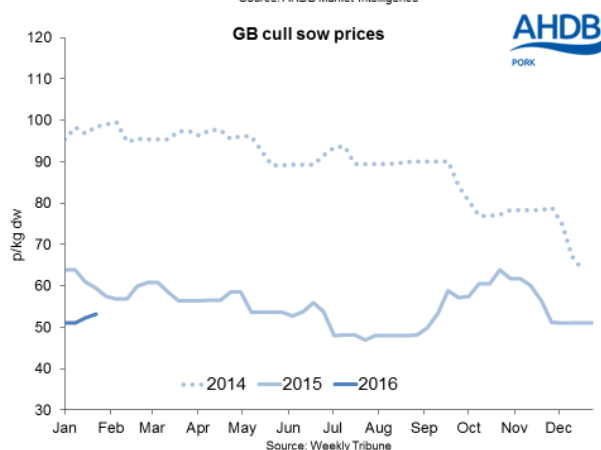
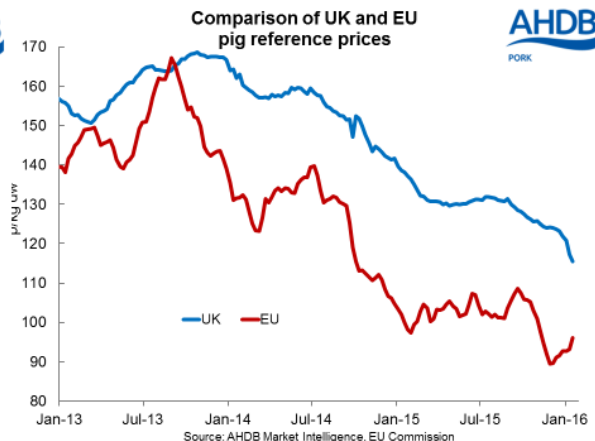
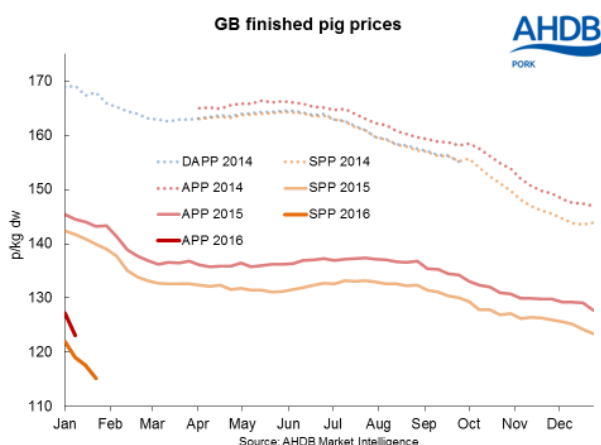


UK PRICES

GB pig prices continued to fall during December, with the EU-spec APP averaging 1p lower than the previous month, at 128.98p/kg. The gap between December 2014 and December 2015 prices narrowed further to 19p as prices were falling at a faster rate in December 2014. The imbalance between supply and demand was still apparent throughout December as slaughterings rose and there was no sign of an uplift in prices. The last week of December recorded a sharp drop in price of 1.47p and prices continued to fall into January. The largest fall in prices for over a decade was recorded in week ended 9 January, when the APP fell by 4p and a further fall the following week took it to 121.59p/kg – the lowest price since May 2008.

The gap between the APP and SPP widened to over 4p/kg in December as the latter recorded a larger decrease of 1.5p, averaging 124.75p/kg for the month. The difference between the two series was 4.23p, which is the largest spread since August. By week ended 26 December, the SPP had fallen by 2.15p compared to the first week of the month but the year on year monthly average was 19p down. As with the APP, sharp New Year falls were recorded, with the SPP losing over 6p in three weeks to stand at 115.17p/kg in week ended 23 January.



The average carcase weight of pigs in the APP sample during December was 80.6kg, around 1.3kg less than November but slightly heavier than December 2014. The fall in weight month on month comes as pigs were pulled forward ahead of the holiday shutdowns. At the beginning of 2015, carcase weights were well above those of 2014 but as the year progressed they were tracking closer to the year before.

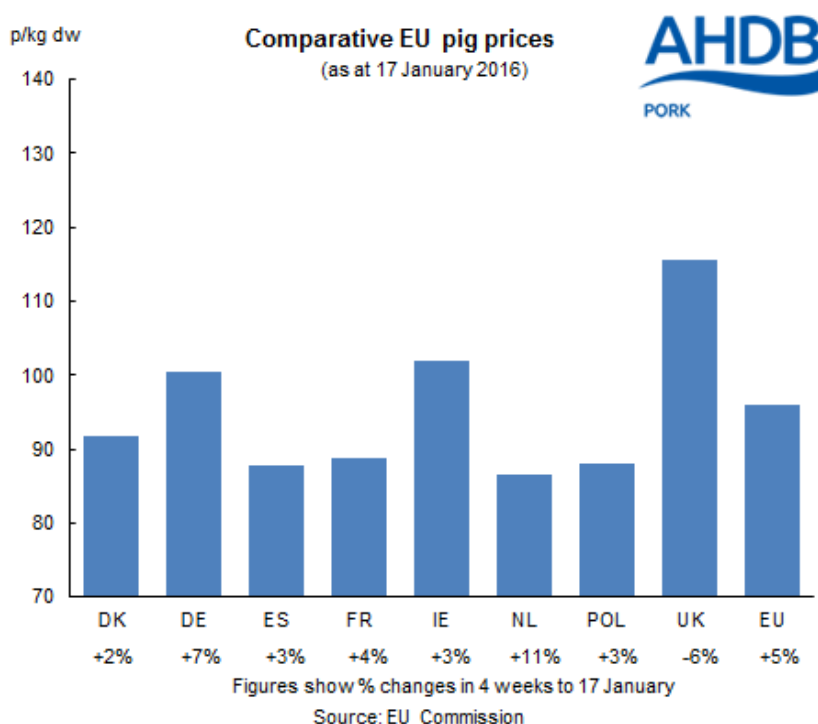
However, carcase weights have begun 2016 at record levels. The average probe measurement during December was 0.2mm lower than in November at 11.4mm, which was also the same as December 2014.

The GB weaner market continued the downward trend in prices for both 7kg and 30kg weaners. The average price of a 7kg weaner for December was £30.91 per head which is 55p less than November and nearly £4 less than December 2014. 30kg weaners recorded a larger month on month decrease of nearly £1, averaging £40.75 per head, which is also £6.25 behind December 2014's average price.

## EU PRICES

The EU average pig price has started to rally moving forwards into the New Year. December's prices were largely stable, averaging €126.21 per 100kg but they have since increased to €127.48 per 100kg by week ending 17 January 2016. This price stabilisation may be a positive effect from the Private Storage Aid scheme, which has taken almost 90,000 tonnes since it opened on 4 January. However, the EU has now announced its intention to close the initiative, so it remains to be seen whether this positive effect on the EU pig price is sustained.

The euro is also starting to strengthen against sterling which may make EU pork less competitive in the UK market. However, the euro has weakened against the dollar, following a spike in November, allowing EU pork to remain competitive on the global stage.



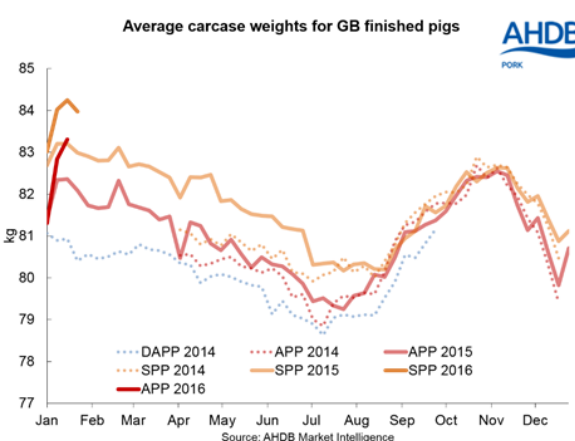
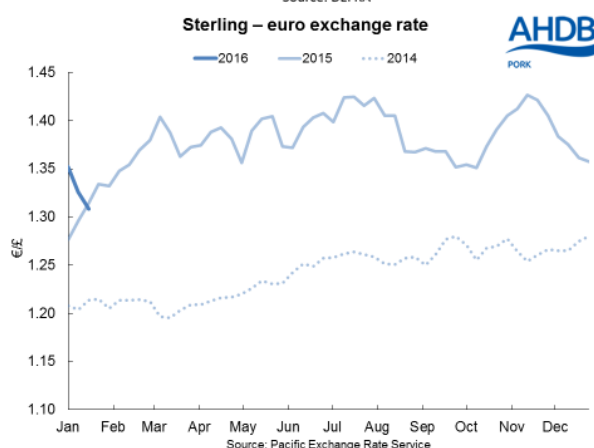
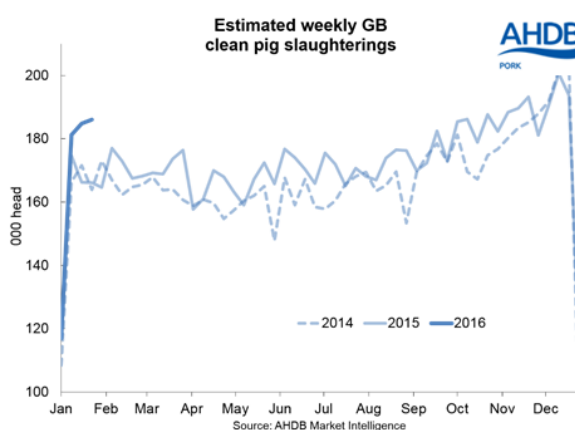
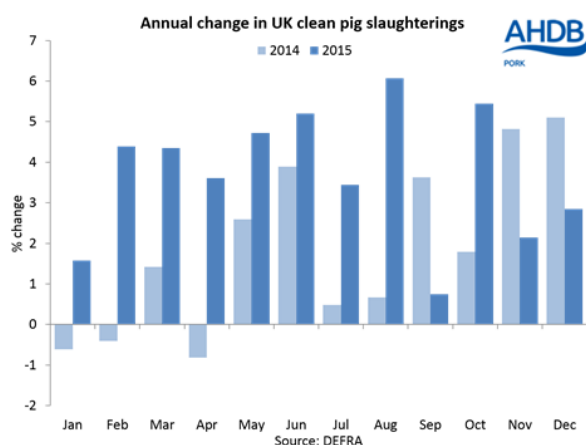
German prices have grown over €4 per 100kg since the beginning of the year. This may be partially attributed to the German census revealing that there has been some rationalisation of the breeding herd, so we would expect to see supplies tighten in the second half of 2016. Dutch and Belgian prices have also increased in this time period. Danish prices have stabilised throughout January, whilst Spanish prices have fallen just over €1 since the beginning of the year. As UK prices have fallen in euro terms, the gap to the EU average decreased to €26 per 100kg (20p/kg). The UK price

premium is starting to see some downwards pressure, due to the weakening of the pound against the euro.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

The UK produced more pig meat than beef in 2015 for the first time since 2003, according to latest figures from Defra. Pig meat production increased by over 4% in 2015, to almost 900,000 tonnes, the fastest growth since 2011. Growth was slightly slower in the second half of the year but December's output of 68,900 tonnes was still 3% higher than a year earlier. The higher production was mainly due to a near 4% rise in clean pig slaughterings, with the total of just over 10.6 million head the highest since 2000. Slightly slower growth in December, just under 3% year on year, took that month's throughputs to 820,600 head. The UK figure for December was boosted by a 12% annual rise in the Northern Irish kill and a 7% increase in Scotland; English slaughterings only grew by 1% compared with a year earlier.

Following strong growth in 2014, carcase weights were only slightly heavier in 2015, averaging 81.3kg. Through the autumn, weights were actually below year earlier levels but by December they had moved slightly above December 2014's level, to average 80.9kg. With sow slaughterings also up again during the month, by 7% to 16,600 head, this added to the production growth. Sow throughputs for the year as a whole totalled 244,400 head, 1% more than in 2014. A 5% rise in the second half of the year more than offset the 4% fall in the first half.



UK imports continued to rise strongly, with a 13% increase to 35,700 tonnes in November 2015 when compared to the same period a year earlier. Denmark, Germany, the Netherlands and Spain all increased their shipments to the UK, with the Netherlands posting a 20% increase year-on-year. Prices continue to remain low when compared with last year, with the value of imports decreasing

4% in November 2015 versus a year earlier and highlighting sterling's strength against the euro for the latter part of 2015.

Sausages saw a sharp increase in volume (42%), with Germany and Poland providing a large increase in shipments compared with a year earlier, whilst bacon imports only saw a modest increase in volume (2%). Whilst the Netherlands imported more bacon in this period, this was to make up for a shortfall of Danish imports.

UK pork exports in November were 17% improved on a year earlier at 17,200 tonnes, predominantly driven by the large increase in Chinese exports (up 56% on a year earlier). Strong volume increases to Ireland and the United States were also apparent, and volume exports grew to most of our export partners based on the same time period in 2014. The value of exports also showed a significant increase of 20%, with Chinese exports increasing in value by 108%.

Processed meats and sausages were the only cuts that experienced a drop in export volumes in November, both largely driven by reduced volumes being shipped to Ireland. Offal exports continue to go from strength to strength, seeing a 95% increase year-on-year to 6,700 tonnes. 43% of this volume was exported to China, still the main export market for UK pig meat offal.

## **FEED MARKET**

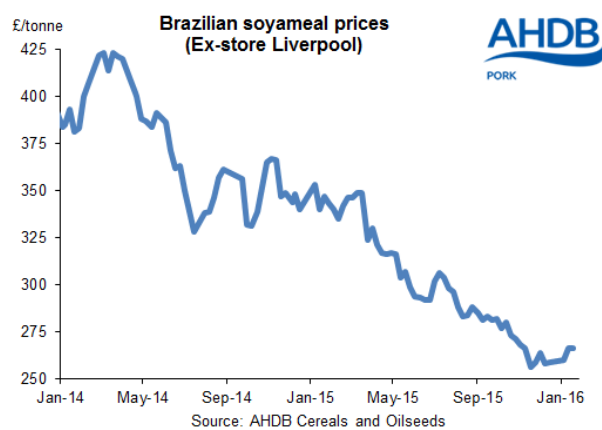
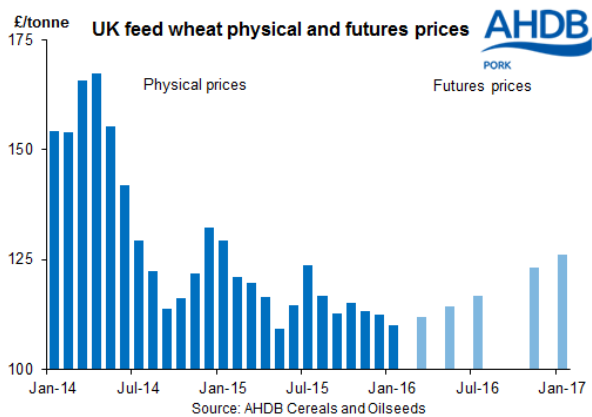
On Tuesday (26 Jan) May-16 UK feed wheat futures closed down on the week at £112.85/t, a decrease of £1.25/t. In contrast, week on week increases were recorded for Chicago wheat with the May-16 futures price up \$4.05/t, closing at \$180.03/t. In line with this, the Chicago maize (May-16) futures price was also up on the week, albeit by a smaller margin of \$0.98/t at \$147.44/t.

Currency continues to play an important role in the futures market, with the sterling at £1=€1.314 at the end of Tuesday (26 Jan). After dipping below the €1.3 threshold at the end of last week (21 Jan), UK feed wheat futures prices recorded a week on week decrease as the currency regained strength. In contrast, the Paris May-16 wheat futures price increased by \$2.75/t Tuesday-Tuesday.

The latest monthly report from the International Grains Council recorded contrasting estimates for grain output in 2015/16. Wheat has been revised up by 5Mt compared to the November report, while Maize has been forecast lower by 8Mt. As a result of this, global grain estimates stand at 1,992Mt. Not only is this 4Mt less than the November estimate, but down 2% compared to 2014/15. Whilst on the surface this may appear favourable, when coupled with a decline in consumption of 8Mt, end of season stocks will reach a 29 year high.

With low prices continuing to affect the livestock sector, animal feed demand is estimated to decrease by 0.5% in 2016 compared to the previous year according to the EU feed manufacturers association. This is mainly being driven by the low pig prices throughout Europe, combined with the favourable weather conditions which have led to an increase in grass growth, once again reducing feed demand for ruminants.

Oilseed futures prices fell sharply last Wednesday (20 Jan), before rebounding to differing degrees over the following days. May-16 Chicago soyabean futures price closed at \$322.76/t on Tuesday (26 Jan), a fall of \$1.84/t on the week but \$1.38/t above Wednesday's close. Paris rapeseed futures (May-16) followed a similar pattern but ended the week €2.25/t higher at €364/t, supported by a weakening in the euro against both the US dollar and sterling.



One of the drivers of the fall was Brazilian soyabean output forecasts still reaching new records, despite less than ideal weather conditions, as we reported last week. Brent crude oil futures (nearby) fell to less than \$28/barrel on Wednesday but lifted back above \$30/barrel on Friday, supported by less than expected stockpiles in the US and demand spurred by cold EU weather.

Global soyabean production for 2015/16 is forecast to increase by 0.2% (1Mt) on the year to 322Mt, according to the latest report released by the International Grains Council on Thursday (21 Jan). The latest estimate is 1Mt higher than November's with upward revisions of output by Argentina and Canada offsetting forecast reductions from India and Brazil.

Looking ahead, EU 2016/17 winter rapeseed plantings are estimated at 6.5Mha, similar to last year. Declines in plantings in Poland and the UK are expected to offset increases in other member countries such as Germany.

UK rapemeal (34%, ex-mill, Erith) for February delivery was reported at £148/t on Friday (22 Jan), a decrease of £5/t Friday-Friday. In contrast, Brazilian soyameal (48% ex-store, Liverpool) for February recorded a rise on the week to Friday of £4/t to £262/t.

## CONSUMPTION

The latest Kantar Worldpanel data show that the growing consumer trend towards convenience is continuing. The meat, fish and poultry convenience market is currently worth £3.6 billion and growing at a rate of almost 4% annually. Chicken currently holds the largest share at 30%, though value sales are down 1% on the year. While pork is sitting at 11%, growing by 3% annually, beef has an 18% share, up 6%.

Over the 12 week period ending 3 January, the volume of pork retail sales continued to fall, according to Kantar Worldpanel. Combined with average prices falling and even though there were slightly fewer promotions, this has reduced total expenditure. Roasting leg joints saw the biggest year-on-year decline. Declines were seen in all other cuts, with the exception of loin roasting joints and marinades.

Only pork pies and sausage rolls saw an increase in volume and value for processed products. However, value did not increase as the same rate as volume, indicating a fall in the average price. Sausages, cooked meats and chilled ready meals all saw both volume and value drops – with value largely decreasing at a greater rate. The inference is that although pork products were cheaper, consumers were still not buying them. A more detailed review of performance in the crucial Christmas period will appear in next month's market update.

## Trends in retail meat purchases (period ended 3 January 2016)

	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								
<b>Fresh and Frozen Meat, Poultry and Bacon</b>	<b>+0</b>	<b>-3</b>	<b>-3</b>	<b>+1</b>	<b>-2</b>	<b>-3</b>	<b>-0</b>	<b>-3</b>	<b>-3</b>
Pork	-13	-13	-1	-6	-9	-4	-5	-10	-5
<i>Belly</i>	-14	-19	-7	-10	-10	+0	-9	-9	-0
<i>Chops/Steaks</i>	-3	-9	-7	-2	-8	-6	-6	-11	-5
<i>Leg Roasting Joint</i>	-42	-42	+1	-26	-32	-8	-11	-22	-12
<i>Loin Roasting joint</i>	+17	+14	-3	+11	+6	-4	-4	-7	-3
<i>Shoulder Roasting joint</i>	-12	-17	-6	-6	-14	-9	-3	-9	-6
<i>Marinades</i>	+4	+37	+32	+27	+46	+15	+11	+13	+1
<i>Ribs</i>	-19	-18	+1	-19	-15	+5	-1	-2	-1
<i>Mince</i>	-19	-28	-11	-0	-13	-13	-4	-11	-7
Bacon	-4	-9	-5	-5	-10	-6	-2	-5	-4
Beef	-2	-3	-1	-2	-3	-0	-1	-0	+0
Lamb	+2	+5	+3	+6	+7	+1	-0	-1	-1
Poultry	+1	-2	-3	+2	-1	-2	+4	-1	-5
<b>Processed products</b>									
Pork Sausages	-7	-9	-3	-6	-8	-2	-2	-4	-2
Fresh Pre-packed Pork Pies	+11	+10	-1	+8	+7	-1	+1	+2	+2
Fresh Pre-packed Sausage Rolls	+10	+5	-5	+10	+5	-4	+5	+1	-5
Pork Sliced Cooked Meats	-2	-7	-5	-2	-6	-4	-1	-5	-4
Pork Chilled Ready Meals	-8	-7	+1	-2	-4	-2	+6	+4	-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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