

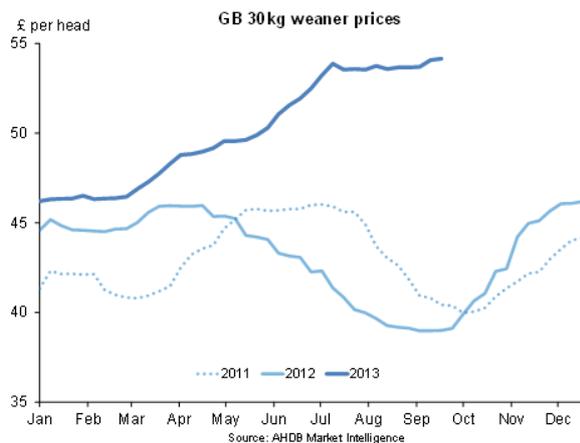
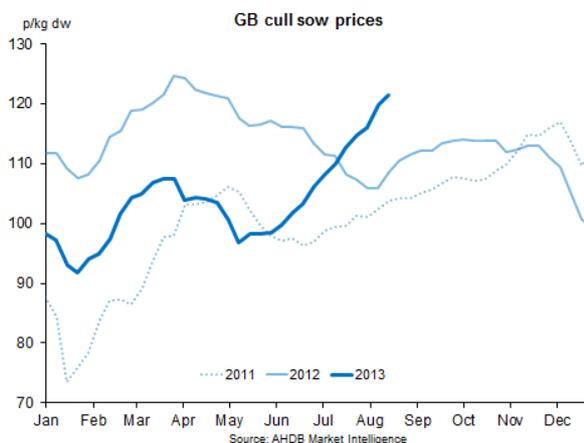
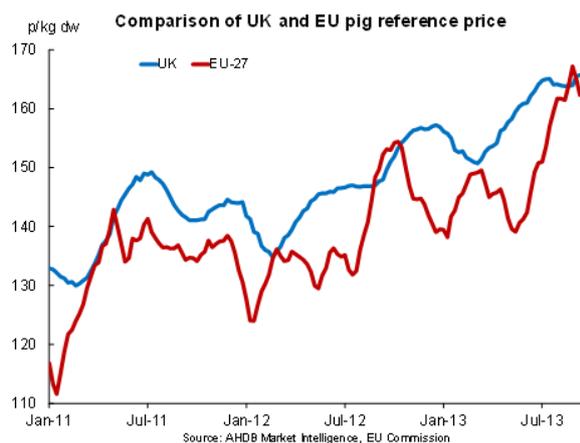
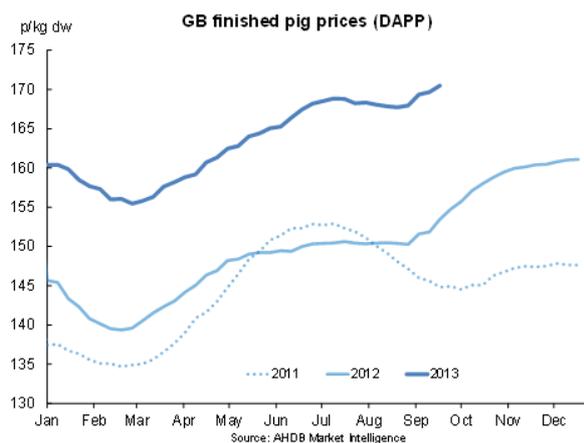


United Kingdom Pig Meat Market Update

October 2013

UK PRICES

GB finished pig prices eased back slightly during August, resulting in the average DAPP during the month falling slightly to stand at 167.90p per kg. This was 0.65p lower than the figure for July but was 17.5p higher than a year earlier. Falling prices are normal at this time of year as demand drops during the holiday season. The good weather this year also contributed by reducing demand for certain higher-value cuts. Despite this, tight supplies and high prices in the rest of the EU limited any falls. Into early September, prices began to increase again as the end of the holiday season raised demand, while supplies were still relatively tight and EU prices remained firm. By week ended 14 September, the DAPP had risen to a new record high of 169.67p per kg.



Carcase weights continued to track well above last year's levels throughout August and early September. The average weight of pigs in the DAPP sample during August was 79.13kg, over a kilo higher than last August, although similar to the average for August 2011. Last year, weights were suppressed as producers marketed pigs earlier to mitigate the higher feed prices. One consequence

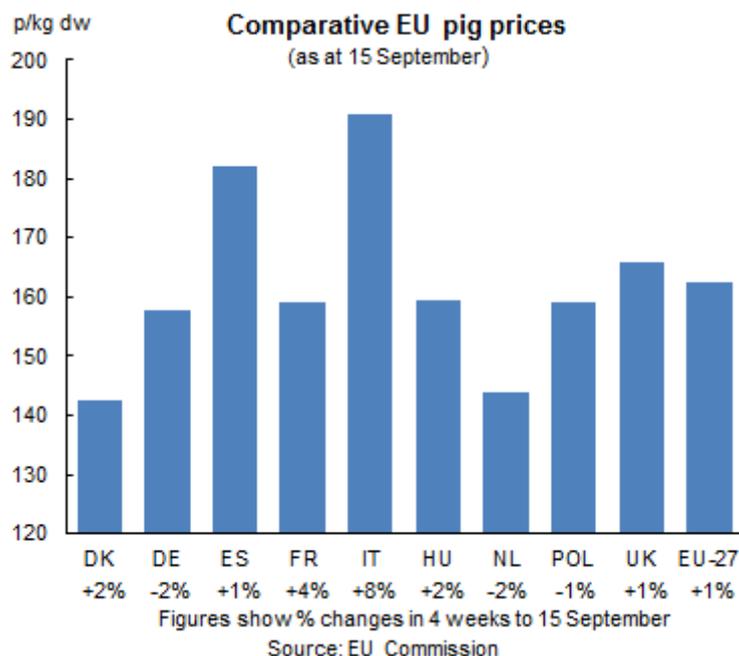
of the higher weights is that back fat levels have also been higher, with the average probe measurement of 11.1mm the highest monthly figure since January 2012.

The weaner market remained finely balanced during August, despite feed prices continuing to fall. The price stood between £53 and £54 per head from mid-July until mid-September, with the average price during August £53.66 per head, a few pence higher than in July. Despite the flat market, this was over £14 higher than last August and the highest monthly average since June 2010. July's hot weather slowed growth rates, limiting the number of places available with finishers during August. With this situation easing somewhat into September, prices edged up slightly to reach £54.15 per head for week ended 21 August.

With one of the leading cull sow abattoirs temporarily ceasing the killing of sows during August, it has not been possible to publish an average GB cull sow price since week ended 17 August. At this time, the price stood at its highest point of the year to date of 121.44p per kg. This followed a steady rise since mid-May as prices mirrored developments in the EU market. Reports suggest that prices continued to rise until the end of the month but then began to fall back as EU supplies increased, leading to a drop in prices on export markets.

EU PRICES

EU prices began rising steadily in May and this trend continued throughout August, with prices peaking in the first week of September at €195.48 per 100kg, their highest level since 2001. The average EU reference price during August was €190.07, around nine euros higher than in July and ten euros up on August 2012. It was only marginally lower than the average price in September 2012, which was the second highest monthly figure on record. EU demand has been strong, with good weather encouraging barbecue demand in northern Europe, adding to tourist demand in the south. In addition, export demand, notably from Russia and China, has remained firm. At the same time, lower numbers of pigs were available following the falls in the EU sow herd recorded around the turn of the year when new welfare regulations came into force. With reports suggesting supplies were somewhat more plentiful, particularly in Germany, prices began to fall back in September, reaching €192.91 for week ended 14 September.



Prices in August were higher than in July in nearly all Member States. German prices rose by seven per cent month on month, as did those in neighbours the Netherlands and Belgium. Most other major producers recorded increases of between three and five per cent. In early September, prices began to ease back in northern Member States, with the German reference price dropping nine euros in the first two weeks of the month. However, further south prices were stable or still increasing.

The UK was one of few countries to buck the rising trend in August, meaning its reference price averaged only slightly higher than the EU one during the month; in May the UK premium was over €20 per 100kg. In mid-August, the EU price briefly overtook the UK one for the first time this year until the fall in the EU price in early September.

EU weaner prices have edged higher since May at a time of year when they would normally be falling. Although the movement hasn't been dramatic, it indicates that there is still demand for weaners given lower feed prices and a strengthening finished pig market. The average price during August was €46.88 per head, up just under a euro since July and over four euros higher than a year earlier. Prices gained a little extra momentum in the second half of August and into September, reaching €48.67 per head for week ended 14 September.

EU cull sow prices have broadly followed the trend of the finished pig market, as is typically the case. Prices in most Member States follow the trend set by Germany. Its M1 sow price rose by 12 cents between July and September to stand at €1.50, the highest monthly average since November 2012. The price reached a peak of €1.57 at the end of August before easing back a cent in the second week of September. Danish sow prices increased even more rapidly, narrowing the gap to the German price to its lowest level since early 2012.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

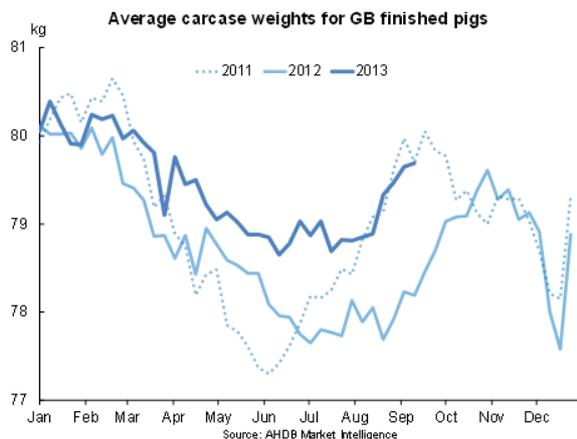
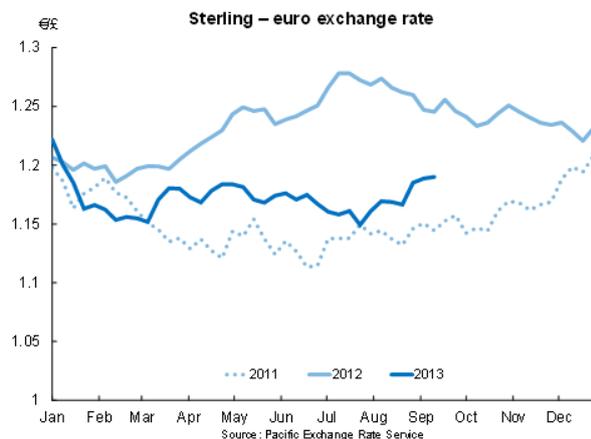
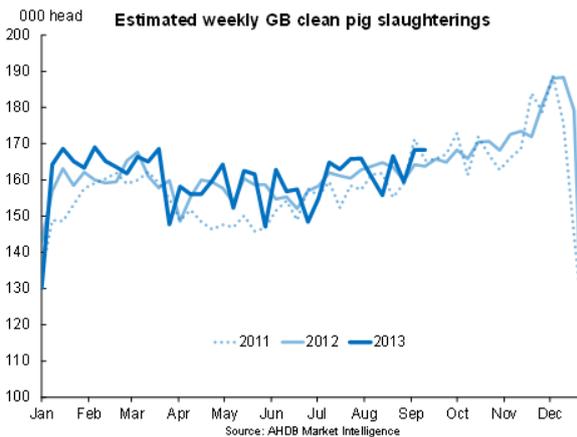
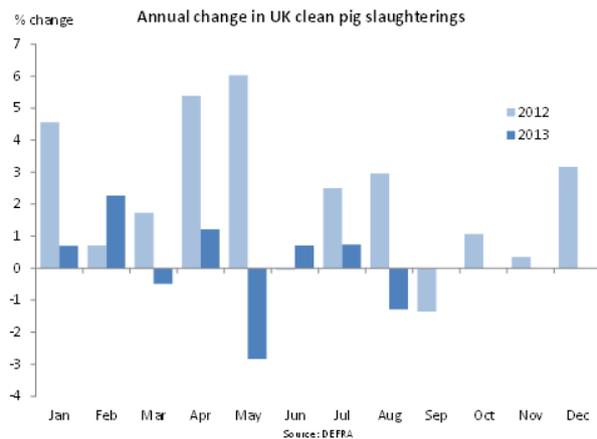
UK pig supplies remained somewhat tight in August, with total slaughtering at 770,900 head. This was one per cent down compared with the same month in 2012. The shortfall was exacerbated as a result of disruptions at individual processing plants for two weeks during the month. England and Wales throughputs were again up year on year, by four per cent, following the plant closure in Scotland last year. The number of pigs that entered abattoirs in Northern Ireland came down by one per cent on the year.

The number of sows and boars culled in August was down 11 per cent on a year earlier. At, 18,800 head, this was almost 2,300 lower compared with August 2012 despite higher export demand. Last year, cullings were inflated in response to the high feed prices at the time. Total adult pigs slaughtered in the first eight months amounted to 172,400 head. This was 2,800 head lower than the January and August period last year, despite numbers having been a little higher in the first half of the year.

As has been the case all year, clean pig carcass weights were higher in August than a year earlier. On average, pigs were about 900g heavier compared with the same month last year. Feed prices have eased from their high levels during the second half of 2012 and this has encouraged producers to add the extra weight onto their pigs. The net result was that pig meat production in August totalled

63,400 tonnes, marginally down on the previous year. Cumulative production for the first eight months was just under one per cent above 2012 levels at 550,500 tonnes.

Based on the DAPP sample, estimated GB clean pig slaughterings in the first two weeks of September were almost three per cent higher than the same weeks last year. Despite this, supplies are likely to remain tight in the remaining months of the year, due to the decline in breeding herd last year.



Latest figures published by HMRC show that UK pork imports in July were down three per cent on the year, at 28,800 tonnes. This was partly a result of lower demand during the hot weather experienced in July, combined with steady production in the UK. Germany maintained its position as the primary supplier from last July, with a year-on-year increase of 10 per cent; at 6,900 tonnes imports from the country were 2,500 tonnes higher than in July 2011. Dutch pork into the UK was up by almost a quarter on last July but a 25 per cent reduction in Danish supplies more than offset these increases. Imports from Ireland were down by six per cent compared with July 2012.

The decline was confined to fresh/chilled pork, with frozen volumes 14 per cent higher than last July. A 10 per cent increase in unit prices meant that the value of UK imports in July was seven per cent higher than a year earlier. Despite July's fall, at 168,900 tonnes, year-to-date pork imports were up marginally compared with the first seven months of 2012.

In contrast, bacon and ham imports increased by two per cent on the year at 20,500 tonnes. Shipments from some of the key markets were down, with the Netherlands and Germany reducing volumes sent to the UK by 12 per cent. Together, the two countries contributed to 47 per cent of total cured imports. However, this decline was offset by a 19 per cent rise in Danish supplies. This may suggest a change of approach for Danish exporters, switching from shipping fresh pork, some of which will have been cured in the UK, to curing product prior to export.

Sausage imports during the month increased by 18 per cent year on year to 9,900 tonnes, the highest monthly total since November last year. However, so far this year, sausage imports have fallen by two per cent compared with January to July 2012. Other processed pig meat imports were almost unchanged at 11,800 tonnes in July this year. This was a result of contrasting trends from the main suppliers. The shortfall created by a 21 per cent reduction in Irish products was filled by higher shipments from Poland and Denmark, among others.

UK pork exports, on the other hand, rose sharply at 15,000 tonnes, a year-on-year increase of 23 per cent, continuing the trend of the year to date. Germany remained the main market for the UK but purchases fell three per cent on the year, although exports of carcasses, mainly sows, to German manufacturers were three per cent higher. Ireland imported 10 per cent more UK pork but growth was mainly driven by increased frozen exports to Greater China. Total pork exports to China and Hong Kong were up by more than three-quarters. There was also good growth from several smaller European markets. With unit prices up four per cent, the value of UK pork exports during the month was up by more than a quarter year on year, at £17.9 million.

Bacon exports in July suffered on the back of lower demand from Ireland, which is the main market for UK bacon. This was largely offset by higher shipments to Spain and other small markets but volumes were down two per cent overall at 1,100 tonnes. A similar trend was recorded for UK sausage exports, with supplies 11 per cent lower on the year and other processed shipments were also lower, by 10 per cent, at 900 tonnes.

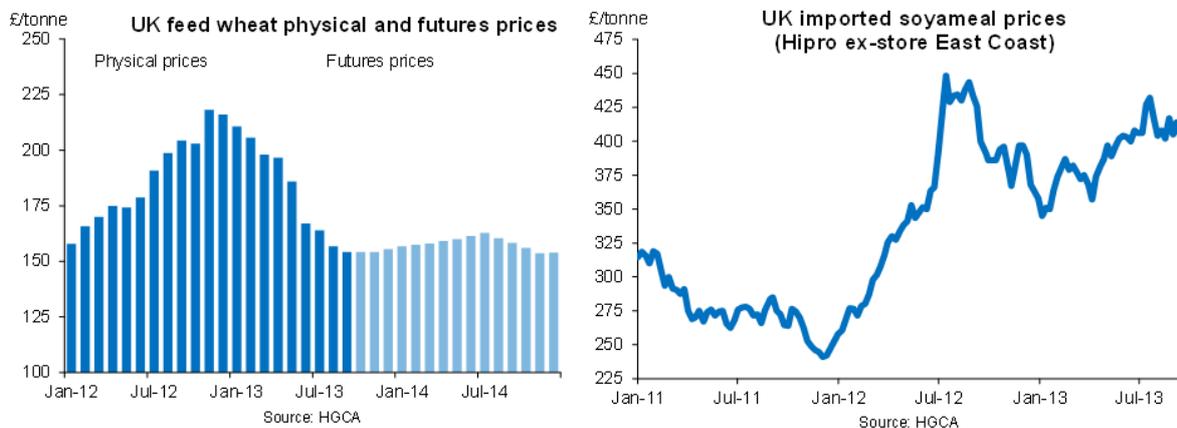
Pig offal exports weakened in July, down five per cent from the same month in 2012. While demand from China, Hong Kong and Thailand was firm, exports to other EU countries suffered. Shipments to the Netherlands and Ireland were down by 50 per cent and 32 per cent respectively, while Belgium and France, which had a 15 per cent market share between them last July, took no UK offal this year. Overall supplies to the continent were 37 per cent lower compared with the same month last year.

FEED PRICES

The UK feed wheat November 2013 futures price settled at £151.20 per tonne on Wednesday 18 September, a £2.35 fall on a month earlier. Global grain markets have generally declined on the back of limited weather events in the US which means that the anticipated bigger crops are increasingly likely to be harvested. The most recent confirmation of this came from the latest USDA world supply and demand report, where US maize yields were surprisingly revised higher despite some dry weather. As a result, the 2013/14 production estimate for US maize was increased to 351.6Mt, compared with 273.8Mt in the 2012/13 season. Global 2013/14 maize production is now estimated at 956.7Mt (860.1Mt, 2012/13).

Initial AHDB/HGCA cereal quality survey (CQS) results for wheat and barley showed generally better quality for both crops. Some deterioration is likely as more samples are tested, as higher quality varieties are tested first and comprise majority of the sample so far. For wheat, 37 per cent of the samples analysed met typical specifications for high quality bread wheat. This is a vast improvement on the four per cent at the same point last year and is comparable to quality in 2010 and 2011. This implies that the proportion of feed grade wheat will be lower, reducing the premium of milling wheat over feed wheat. For barley, all quality parameters measured were better than last year, with the specific weight being one of the highest on record, dating back to 1999. For the detailed provisional CQS results, [click here](#).

Wet weather in mid-September limited progress of the remaining 2013 harvest, mostly in Scotland and the northern regions. As at Tuesday 17 September, 96 per cent of the GB wheat area had been harvested, the winter barley harvest was complete with about 10 per cent of the spring barley area left. For oilseed rape, 99 per cent of the winter crop was already gathered with 40 per cent of the spring crop harvested.

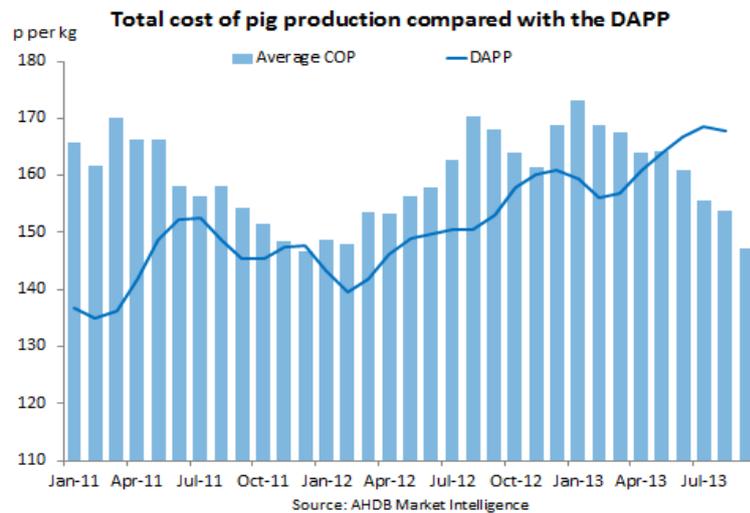


The Hi-pro any origin soyameal (ex-store East coast) price as at Friday 13 September was £414 per tonne, up from £408 a month before. The global soyabean market has been more volatile than the cereals market due to the dry US weather and market expectations of lower yields for the US soyabean crop. This was supported by the USDA, as the US 2013/14 soyabean yield was revised lower, resulting in a 3Mt decline in the production estimate. However, the global 2013/14 soyabean crop estimate was almost unchanged as larger crop forecasts for South America nearly offset reductions in the Northern Hemisphere. This means that the 2013/14 global soyameal production is still expected to be considerably higher than last season.

It is worth bearing in mind that soyabean plantings have just started in South America, so there are still several months to go until harvest starts. However, the Chicago May 2014 soyabean:maize price ratio is currently in favour of South American producers planting more soyabeans than maize. A ratio greater than 2.5 implies that farmers will favour soyabean plantings over maize and the areas planted will be the first indication of the 2013/14 South American production.

Latest AHDB/BPEX provisional estimates show that the average cost of pig production fell further in September as spot feed prices continued to ease. During the month, costs were estimated to be 147.2p per kg, their lowest level since December 2011 and over six pence lower than in August. As

well as the reduction in feed prices, a combination of increased sow productivity and better feed efficiency has reduced the amount of feed used to raise each pig.



With pig prices currently close to 170p per kg, most producers will be receiving more for the pigs they sell in September than they will be paying out for feed and other costs during the month. However, the pigs being sold during September will have been fed during a period when feed was more expensive. Estimates suggest that the lifetime cost of producing these pigs is around 10p per kg more than the quoted cost of production for

September (which is based on the spot price for feed during the month). While this is still below the pig price, it emphasises that it will take some time for producers to recoup the losses they have experienced in recent years.

CONSUMPTION

This summer's weather was something for most people to celebrate compared to last year's washout. It may have had a positive impact on some, but what did the hot weather do for meat sales?

In the middle of July, temperatures soared in a prolonged heat wave. The hot weather helped boost consumer confidence and a number of British sporting successes fuelled the celebratory atmosphere, despite the continued squeeze on budgets. In typical summer weather consumers tend to switch to barbecues and lighter meals that don't involve extensive cooking.

In the 12 week period to 18 August, which covers the best of the weather, the value of the total grocery market increased by four per cent compared with last year, according to figures from Kantar Worldpanel. Most of this growth can be attributed to price increases. Over the same period, volume sales grew by less than one per cent. Unsurprisingly, ice cream and soft drinks recorded strong growth compared with last year, while evidence of altered menus is apparent in poor performance for savoury and sweet cooking categories.

Traditional red meat sales did not perform well, a trend seen in other hot summers. Roasting joint sales suffered particularly, with longer cooking times and winter associations. Fresh pork purchases fell eight per cent compared with last year, the largest decline seen so far in 2013. Leg, loin and shoulder joint sales declined the most, due to a combination of fewer shoppers purchasing and remaining shoppers buying less often. Sales of chops, steaks and belly cuts were also below last year. However, purchases of marinades, such as ribs, which are often associated with barbecues and warmer weather, were up, in volume terms, by 11 per cent.

Beef roasting joints were also heavily impacted, with sales of other beef cuts, including mince also down on last year. Overall, fresh lamb sales were also behind last year, although leg roasting joints performed particularly well given the hot weather, making volume gains of nine per cent due to the continued high levels of promotion. However, in the latest four weeks, promotion levels have shown signs of easing and as a result volume sales were below last year.

In contrast, the popularity of the barbecue was back in force and spending on burgers and grills grew an impressive 16 per cent, with volumes up by seven per cent on last year's lacklustre performance. Beef burgers account for the majority of the market but lamb burgers/grills are becoming increasingly popular. Pork grills also recorded volume gains compared with last year. Although the category growth appears to show the horsemeat scandal has been forgotten, fresh and chilled products outperformed the frozen market and ready meals were still well down, suggesting consumers are still showing some shopping changes. Burgers and grills made gains from a number of other red meat products, affecting overall sales; when buying red meat, the average shopper buys just under 1kg but when buying burgers and grills the average purchase is only 0.5kg.

Despite being another typical barbecue product, sausages have not shown volume growth. Value sales, however, have been positive due to price rises. A fall in volume per trip and a reduction in the number of shoppers have driven the decline. Shoppers have been switching from standard to premium tiers, contributing to the rise in the price paid.

Trends in retail meat purchases (period ended 18 August 2013)

	4 weeks 2013/12			12 weeks 2013/12			52 weeks 2013/12		
	Q	E	P	Q	E	P	Q	E	P
% change compared with a year earlier									
Fresh and Frozen Meat, Poultry and Bacon	-6	+1	+7	-6	+0	+7	-1	+3	+4
Pork	-10	-3	+7	-8	-1	+7	-5	+0	+6
<i>Belly</i>	-15	-4	+12	-8	+4	+13	-3	+4	+8
<i>Chops</i>	-10	-0	+11	-11	-3	+9	-14	-8	+7
<i>Steak</i>	-5	-4	+1	-1	+1	+1	-4	-3	+1
<i>Leg Roasting Joint</i>	+27	+24	-2	-12	-14	-3	-15	-11	+5
<i>Loin Roasting joint</i>	-20	-19	+1	-25	-25	-0	+9	+16	+7
<i>Shoulder Roasting joint</i>	-38	-24	+22	-33	-19	+21	-16	-9	+8
Pork Marinade	-7	+1	+9	+12	+21	+8	+17	+25	+7
Bacon	-8	-2	+6	-10	-5	+5	-2	+0	+3
Beef	-6	+1	+8	-9	-3	+7	-2	+4	+6
Lamb	-6	-5	+1	+2	-0	-2	+14	+8	-5
Poultry	-3	+5	+9	-3	+6	+10	+0	+5	+5
Processed products									
Pork Sausages	-5	+10	+16	-3	+13	+17	-3	+6	+10
Fresh Pre-packed Pork Pies	-4	-2	+2	-3	+1	+4	-9	-3	+7
Fresh Pre-packed Sausage Rolls	+3	+12	+8	+1	+9	+9	-10	-2	+9
Pork Chilled Ready Meals	-11	+2	+14	-8	+7	+17	+1	+14	+14
Pork Sliced Cooked Meats	+0	+3	+2	+5	+6	+1	+3	+2	-1

Q = quantity purchased, E = expenditure, P = price
Source: Kantar Worldpanel

Aside from barbecues, picnics and light food such as sandwiches and salads tend to perform well in the heat. As a result, sliced cooked meats have shown positive sales in the last 12 weeks. Ham, beef and continental meats have all benefitted. Sausage rolls and pork pies had some success in the four weeks around the heat wave, making good volume gains. However, this was short lived and not enough to compensate for longer-term decline.

Despite the belief that consumers want to be able to purchase whatever they want regardless of the time of year, some seasonal behaviour changes do still exist. Tapping into these effects can produce good results. However, consumers are still looking for a good deal with value for money and will take advantage of offers in order to get this.

In the latest four weeks, after the main heat wave, trends were broadly similar across most major categories. Total spending on pork was down three per cent and the amount purchased was 10 per cent behind last year. However, leg joint purchases were up by 27 per cent, driven by promotions at the top three retailers.

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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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