

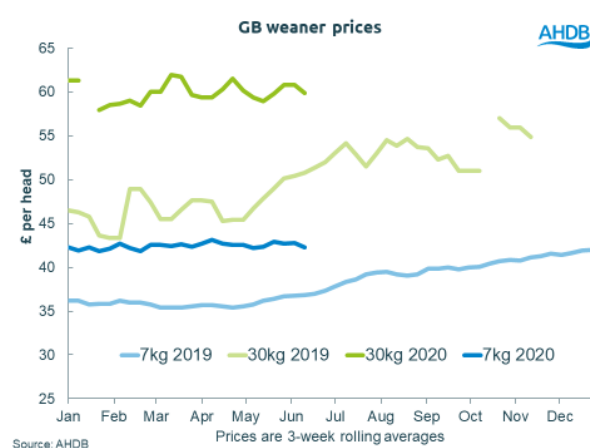
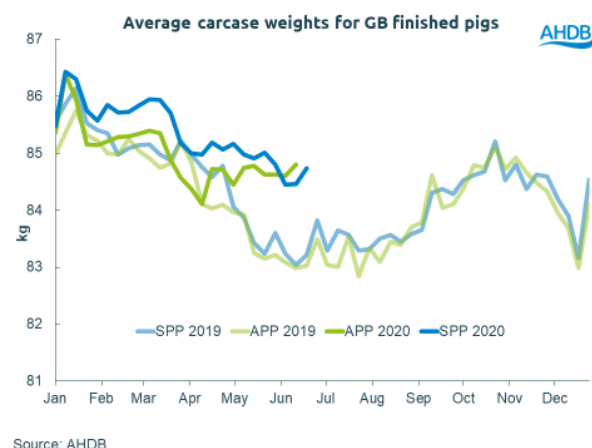
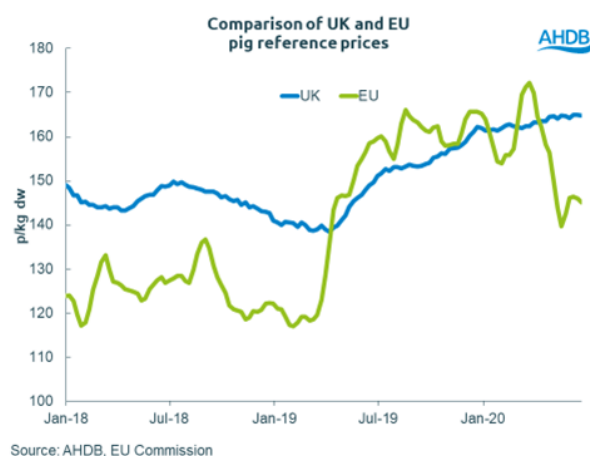
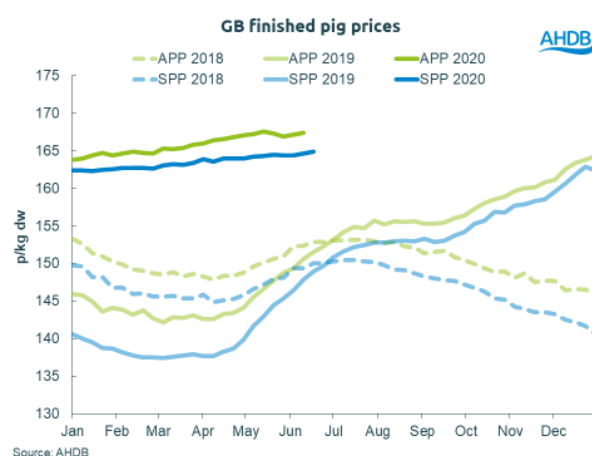
July 2020

## UK PRICES

The slow but steady rise in finished pig prices, which has been apparent throughout the year, continued into May. As a result, the monthly average EU-spec APP hit 167.29p/kg, less than a penny behind the record high set in July 2017.

Rising prices are normal at this time of year as supplies begin to tighten and the number of available pigs has particularly tightened recently. Demand for British pigs has also remained strong this year, despite falling EU prices. This is probably aided by the increased volume moving through retail channels, which are thought to have a greater preference for domestic product than much of foodservice.

The APP faltered a little as we came into June and was generally stable as we approach the traditional time for a peak in early July. By week ended 13 June, the EU-spec APP had reached 167.45p/kg, 16p higher than the same week last year and nearly 4p up on the start of the year. Upward momentum has been more sustained for the SPP though, with this average reaching 164.93p/kg in the latest week ended 20 June, a record high for the series.



Carcass weights have continued to track well above year earlier levels and the usual seasonal fall has been largely absent. The average weight of pigs in the APP sample in May was 84.69kg, over 1kg above last May. The SPP sample weight was also up over 1kg on the year at 84.93kg. This comes despite the hot weather this spring, which could have affected growth rates. The high carcass weights are perhaps

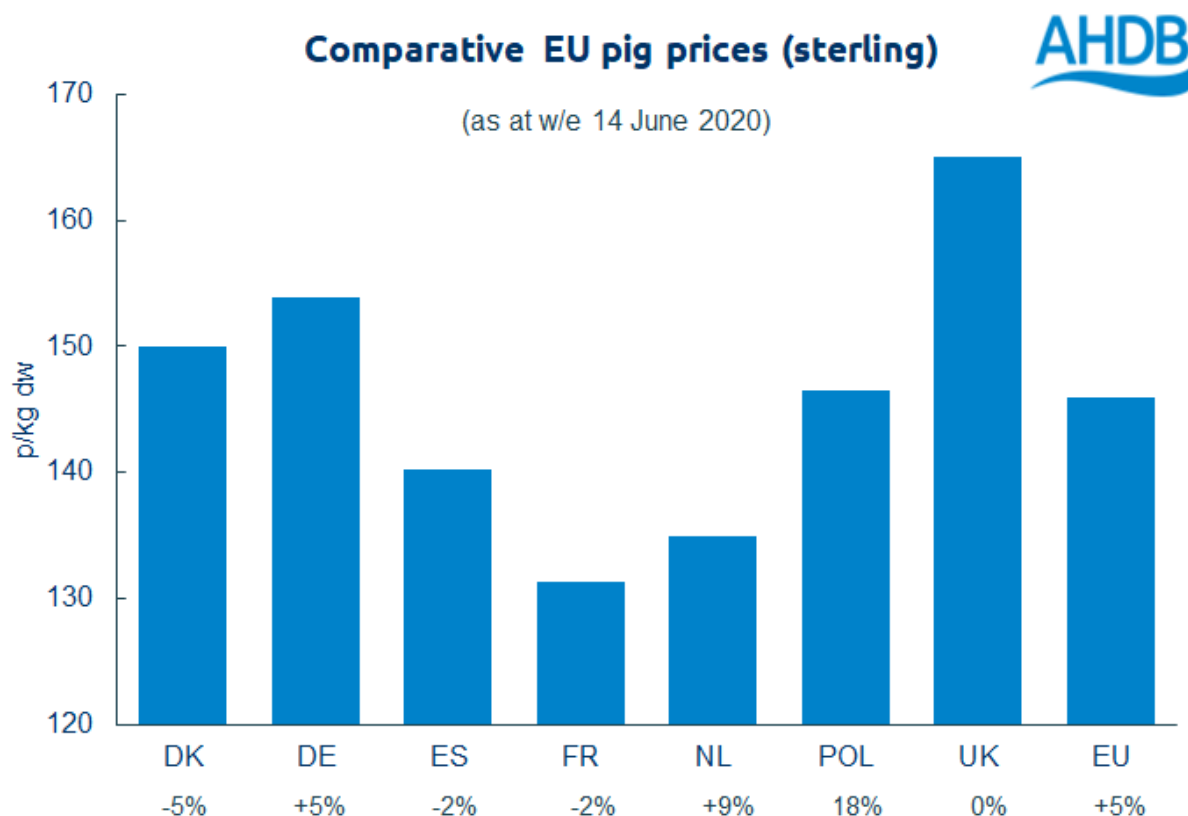
partly attributed to delays to slaughter in the month due to some COVID-19 related plant closures. However, there has also been financial encouragement to finish at heavier weights, with upper weight limits being raised. Weights have remained high into June.

Despite the strong finished pig prices and some easing of feed prices in recent weeks, weaner prices have not increased. The monthly average for 7kg pigs in May was £42.60/head, slightly lower than in April but over £6 up on May 2019. The relative stability continued into June, with the average price standing at £42.22/head.

## EU PRICES

Disruption to both slaughter and demand in the EU has led EU pig prices to ease during the spring. However, in the four weeks to 14 June the average reference price did recover by about €5, reaching €163.36/100kg. It remains below year earlier levels though, as has been the case since mid-May.

The reopening of some foodservice outlets in the EU had led to some optimism of improving demand and price levels; however, the recent closure of a key processing plant in Germany is now causing uncertainty, particularly in northern Europe. Limited capacity is likely to pressure the key German price in the coming weeks. There are also concerns about the implications of COVID-19 outbreaks in abattoirs for access to the Chinese market, with a number of affected plants needing to suspend shipments.



Figures show % changes in 4 weeks to 14 June 2020

Source: EU Commission

Price trends in the major producing states were somewhat varied. Prices in Poland and the Netherlands have seen the greatest level of recovery. However, in Spain, France and Denmark averages have still been moving down over the past few weeks.

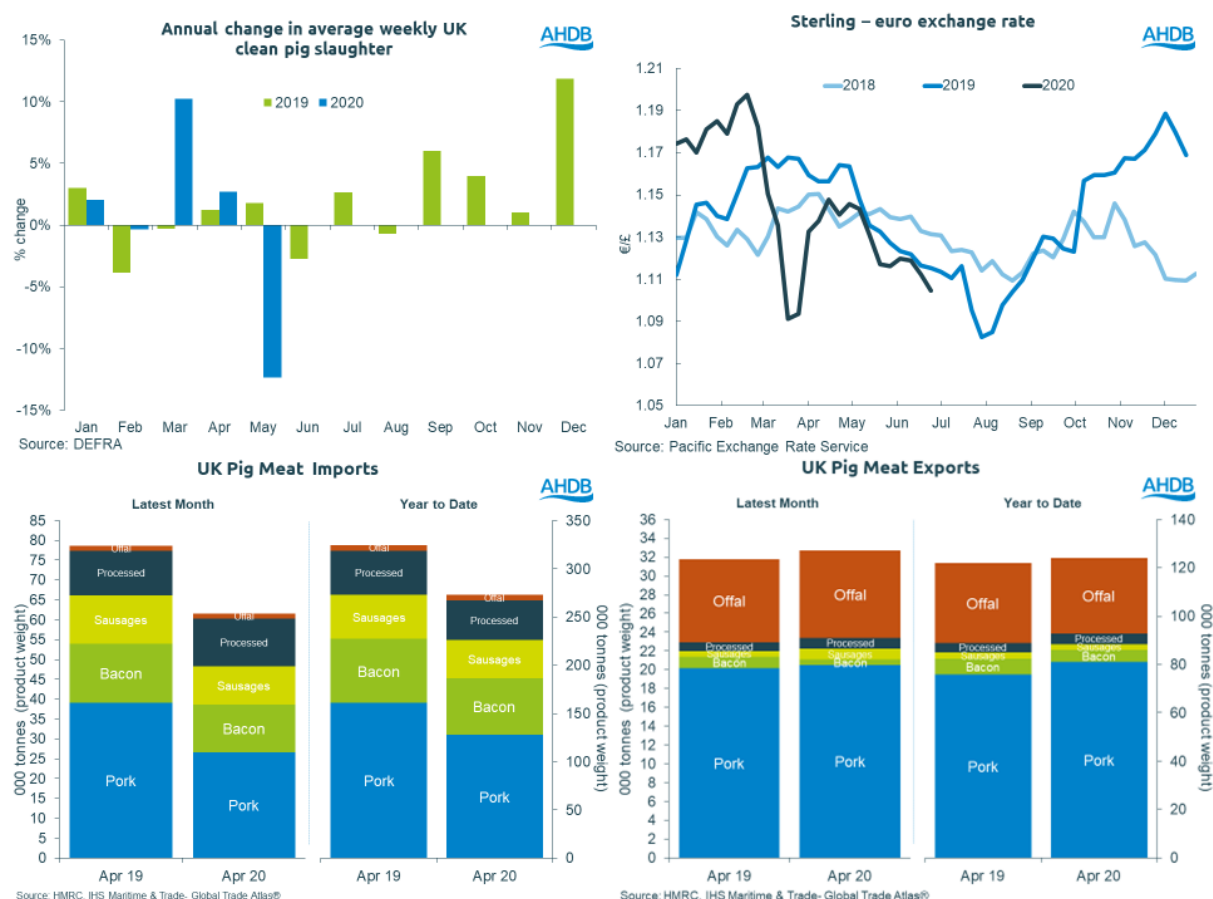
With UK prices stable while EU prices have risen a little, the gap between the UK and EU reference prices has generally narrowed. In the week ended 17 May, the difference stood at €28/100kg, but had fallen to €21/100kg by mid-June.

## UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK pork production was 71,100 tonnes in May, according to Defra data. This is 11% lower than May 2019, although May this year had two fewer working days, exaggerating the fall.

801,000 clean pigs were slaughtered, 12% lower than a year ago. Clean carcase weights averaged 86.1kg, 1.84kg heavier than a year ago, although slightly lighter than those recorded in recent months.

This brings production in the year so far to 401,300 tonnes, 2% more than during the same period last year. Production over the period from March to May was 238,000 tonnes, 2,700 tonnes more than the same period in 2019. The pork sector has weathered the conditions brought by coronavirus remarkably well and has broadly managed to maintain production, although sow prices have suffered.



## Trade

Despite reports of difficulties, UK fresh/frozen pork exports remained strong in April, with shipments up 2% on the year at 20,500 tonnes. This was a smaller year-on-year growth than previous months though.

China remained the leading destination for UK exports, taking over 50% of the total for the first time at 10,600 tonnes. Although this market has perhaps not been as accessible or lucrative as anticipated before the coronavirus pandemic escalated, shipments have remained strong and prices are still high in historic terms.

Among EU markets, there was a declining trend, with Ireland and the Netherlands particularly purchasing less UK pork.

Exports of sausages in April recorded a very strong increase on the year, apparently due to rising trade with Ireland, which was over five times higher than last year. Such a sharp increase should be viewed with caution; however, Irish import figures do suggest sausage shipments from the UK were about 25% higher during the month.

Pig offal exports also remained strong, with 5% growth on the year. China again provided the support (+32% year-on-year), though falling volumes to other destinations, including the Philippines and the EU, slowed the overall pace. Overall export value stood at £53.2 million in April, 18% more than last year.

UK fresh/frozen pork imports continued to fall in April. Frozen shipments in particular were down by 63% (-7,000 tonnes), but fresh/chilled product also dropped by 20% (-6,000 tonnes). The figures suggest weaker demand for European products, no doubt affected by foodservice closures. The only supplier to send greater volumes than last year was Germany, with these imports up 11% (+800 tonnes).

Processed meat imports were more similar to year earlier levels, with Poland and Spain in particular sending more. This was somewhat counteracted by falling volumes from the Ireland, Germany and Denmark though. Import prices remain higher than year earlier levels, so the value of imports overall was only down 12% on the year, at £186.6 million.

## **FEED MARKET**

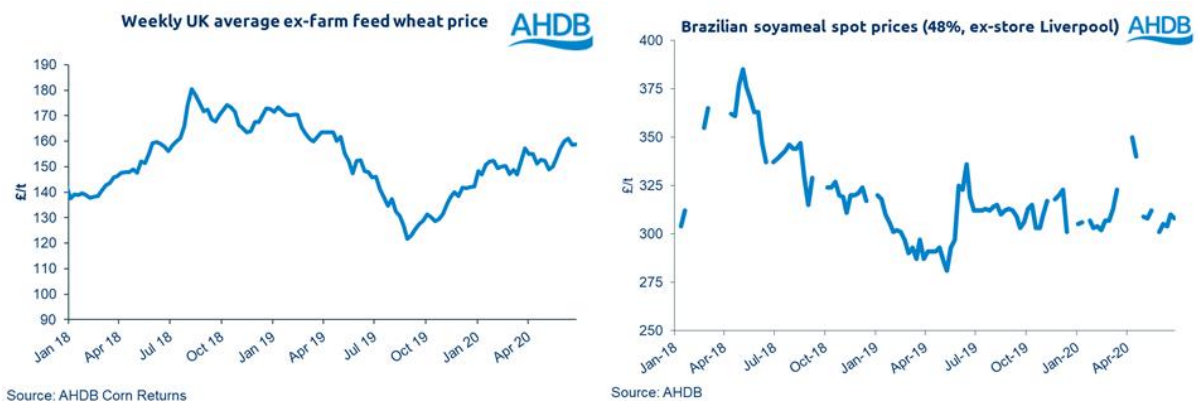
### **Grains**

The domestic grain market has seen both wheat and barley prices fluctuate during June. UK crop conditions are now varied with some regions, such as South West England, receiving large volumes of rainfall during June, helping crops in many areas improve after the extremely dry spring. Other regions continue to feel the impacts of the dry spring and wet winter, which is limiting crop potential. Overall, this year's UK harvest is still expected to have a smaller wheat crop and a larger barley crop compared to the previous year. Year-on-year crop conditions for winter wheat are much lower with 26% of wheat classed as 'poor' or 'very poor' compared to just 5% for the same period in 2019.

Looking forward, for UK barley prices, it is likely that market pressure will keep the barley price lower throughout the autumn due to a large spring barley crop, creating a necessity for export. UK barley prices will need to remain competitive in the export market, competing against a large Russian crop.

International grain markets have gone through a period of steady decline during June. Global grain prices have fallen as a response to large global stock levels. This reduction is anticipated to continue. Wheat prices are likely to sit at import parity (capped at the import level) therefore the main price drivers will be changes in currency and price trends in the wider global market. Wheat production is set to be lower year-on-year in the Ukraine, EU and US. Despite this, stocks in some of the major exporting countries are anticipated to rise due to strong southern hemisphere wheat production especially in Australia.

Major disruptions to global demand for maize and ethanol continue to be caused by coronavirus. Demand for ethanol in South America has been showing signs of growth in June compared to the especially low levels seen in May. However, it is still likely to be a long time until ethanol production returns to the high levels seen before the pandemic. This is therefore likely to be a factor influencing UK markets for some time.



## Proteins

In June, global oilseed prices started strong, seeing rises over the first half of the month. This was largely due to two key factors, a significant increase in US soyabean export sales to China, coupled with the easing of lockdown measures in the EU and US. Fuel use will increase as more countries reduce lockdown measures, benefitting biodiesel markets and supporting oilseed prices.

However, recent increases in coronavirus infection rates across the US, Asia and the EU have pressured global oilseed markets. Favourable weather for soyabeans across the US MidWest also offers a degree of pressure. As such, oilseed prices have fallen back from earlier month highs.

Domestic rapeseed markets await the first confirmation of yield estimates. Many growers across the east of England expect to start harvests later this week or the beginning of next, dependant on weather. Oilworld forecast the UK rapeseed crop at 1.12Mt, marking potentially the lowest production figure in over twenty years.

What this means for feed markets is perhaps a greater reliance on imported protein meal supply. The temporary closure of the Erith crushing plant for the foreseeable period could affect meal availability for surrounding feed manufacturers.

With a decreased availability domestically of rapeseed, imports are likely to increase in volume to supply the deficit. As a result, UK rapeseed prices are more likely to price at import parity levels. Ukrainian origins seem to be the likely option in the short-term due to the harvest already underway. The EU is forecast to import 2.32Mt of Ukrainian rapeseed in the 2020/21 season, down 0.6Mt from 2019/20 levels. This is due to the drier soil conditions across Black Sea regions affecting production figures.

A forecast bumper US soyabean crop and increased Brazilian stocks could pressure soyameal prices, with a knock-on effect for UK soyameal imports that feature in protein feeds. Soya cake and meal usage in GB feed production increased 3.9% year-on-year in the season to April.

The US acreage report released on Tuesday increased the soyabean area at 83.82Ma, above the March estimate by 0.31Ma. The report confirmed expectations that US farmers would plant more soyabean at the expense of corn acres, owing to anticipated better market outlooks.

## CONSUMPTION

In the 12 weeks to 7 May, consumer behaviour was distinctly abnormal due to a combination of panic-buying and lockdown restrictions. Reversing the trend seen earlier in the year, total pig meat sales increased by 14% in volume and 22% in value. Sausages and bacon contributed the most to the overall growth. Preliminary AHDB estimates suggest this level of growth has been sufficient to compensate for the loss of the foodservice market, in simple volume terms.

### Trends in retail meat purchases (period ended 17 May 2020)

|  | 4 weeks<br>2020/2019 |            |            | 12 weeks<br>2020/2019 |            |           | 52 weeks<br>2020/2019 |           |           |
|--|----------------------|------------|------------|-----------------------|------------|-----------|-----------------------|-----------|-----------|
|  | Q                    | E          | P          | Q                     | E          | P         | Q                     | E         | P         |
| % change compared with a year earlier  |                      |            |            |                       |            |           |                       |           |           |
| <b>Total Pig Meat*</b>                 | <b>+19</b>           | <b>+27</b> | <b>+7</b>  | <b>+14</b>            | <b>+22</b> | <b>+7</b> | <b>+0</b>             | <b>+4</b> | <b>+4</b> |
| <b>Fresh &amp; Frozen Primary Pork</b> | <b>+27</b>           | <b>+38</b> | <b>+9</b>  | <b>+15</b>            | <b>+24</b> | <b>+8</b> | <b>-1</b>             | <b>+2</b> | <b>+3</b> |
| <i>Belly</i>                           | +61                  | +80        | +12        | +38                   | +50        | +9        | +13                   | +16       | +3        |
| <i>Chops</i>                           | +23                  | +24        | +1         | +26                   | +27        | +1        | +4                    | +2        | -1        |
| <i>Steaks</i>                          | +27                  | +39        | +9         | +15                   | +23        | +7        | -4                    | -3        | +1        |
| <i>Shoulder Roasting Joint</i>         | +31                  | +31        | +0         | +9                    | +11        | +1        | -8                    | -5        | +3        |
| <i>Leg Roasting</i>                    | +12                  | +31        | +17        | -11                   | +5         | +17       | -12                   | -7        | +6        |
| <i>Loin Roasting</i>                   | +37                  | +49        | +9         | +39                   | +40        | +1        | +21                   | +13       | -7        |
| <i>Mince</i>                           | +22                  | +38        | +13        | +16                   | +27        | +9        | +5                    | +11       | +6        |
| <i>Pork Ribs</i>                       | +31                  | +32        | +1         | +27                   | +32        | +4        | +1                    | +2        | +2        |
| <b>Processed pig meat products</b>     | <b>+25</b>           | <b>+32</b> | <b>+6</b>  | <b>+20</b>            | <b>+27</b> | <b>+6</b> | <b>+1</b>             | <b>+6</b> | <b>+5</b> |
| <i>Bacon</i>                           | +32                  | +46        | +11        | +22                   | +36        | +11       | +2                    | +9        | +7        |
| <i>Pork Sausages</i>                   | +36                  | +47        | +8         | +32                   | +42        | +8        | +5                    | +10       | +5        |
| <i>Gammon</i>                          | +19                  | +33        | +12        | +17                   | +30        | +12       | -6                    | +4        | +10       |
| <i>Pork Sliced Cooked Meats</i>        | +10                  | +17        | +7         | +7                    | +14        | +7        | -1                    | +3        | +4        |
| <b>Added Value</b>                     | <b>-8</b>            | <b>+4</b>  | <b>+13</b> | <b>+3</b>             | <b>+11</b> | <b>+7</b> | <b>+2</b>             | <b>+3</b> | <b>+1</b> |
| <b>Other</b>                           | <b>+4</b>            | <b>+13</b> | <b>+8</b>  | <b>+3</b>             | <b>+8</b>  | <b>+5</b> | <b>-2</b>             | <b>+2</b> | <b>+3</b> |
| Total Beef*                            | +21                  | +26        | +4         | +22                   | +23        | +1        | +5                    | +5        | -0        |
| Total Lamb*                            | -4                   | +4         | +8         | -8                    | -3         | +5        | -5                    | -2        | +4        |
| Total Chicken*                         | +12                  | +8         | -4         | +15                   | +11        | -3        | +4                    | +3        | -2        |

Q = quantity purchased, E = expenditure, P = price

Source: Kantar

\*encompasses primary, bacon, sausages, sliced cooked meats, chilled main meal accompaniments, ready to cook, ready meals and burgers and grills.

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