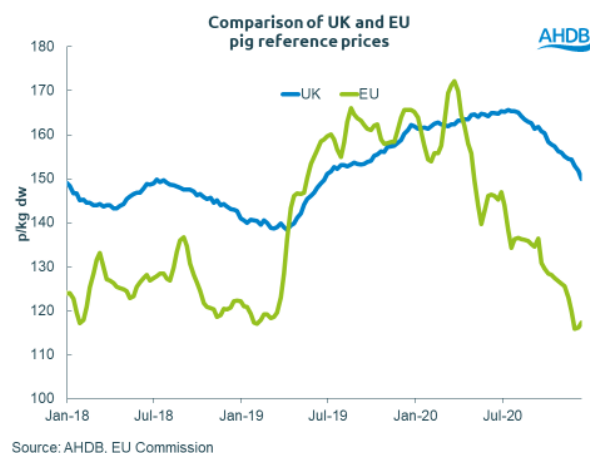
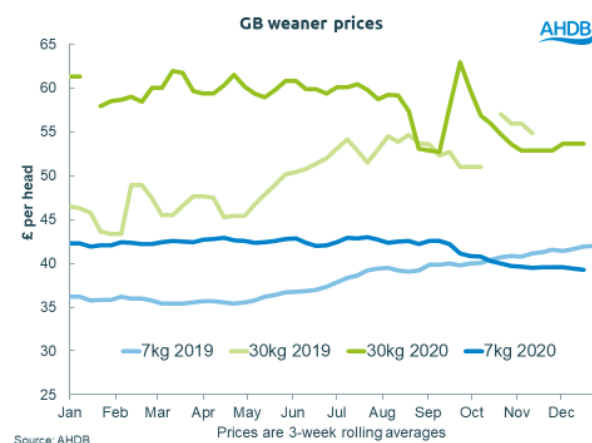
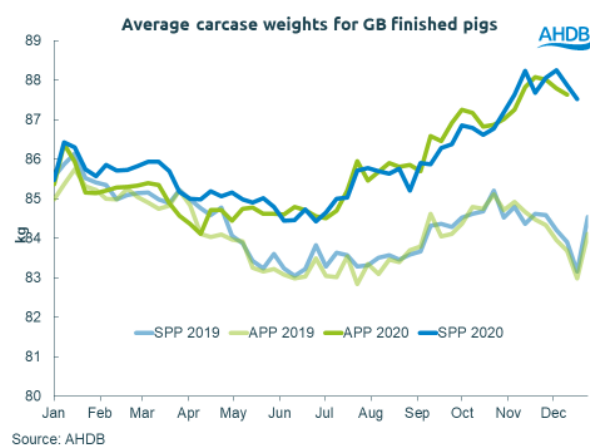
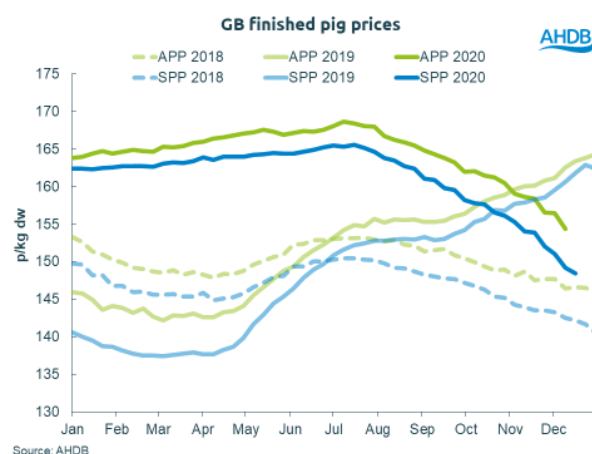


January 2021

UK PRICES

The downward trend in pig prices continued through November, with the monthly average EU-spec APP at 158.19p/kg. This was slightly lower than the month in 2019 and over 10p lower than the peak in July. The decline continued in December, with the supply chain suffering from a number of difficulties relating to the COVID-19 pandemic. By the week ended 12 December, the APP had fallen to 154.41p/kg, over 9p lower than where it had started the year. It was a similar picture for the SPP, which averaged 153.83p/kg in November and had fallen to 148.49p/kg by week ended 19 December.

Average carcase weights rose in November, with no sign of the usual seasonal decline. The APP average was 87.79kg, while the SPP sample was a little higher at 87.90kg. In both cases, this was over 3kg heavier than the same month last year. The average probe measurement in November was also the highest on record for both samples, at 11.5 for the SPP and 11.9 for the APP. This indicates that the pigs were not only heavier but also fatter. Probe measurements generally exceeded year earlier levels in the second half of 2020, but this was particularly noticeable at the end of the year. Growing conditions were largely good, while pig slaughter suffered from delays due to capacity constraints, generating a backlog on farms. In December, weights did show a little decline, but not at the same rate as would be expected for the time of year, when pigs are normally pulled forward. Probe measurements also remained high, reflecting the ongoing challenge with delays to pig slaughter.

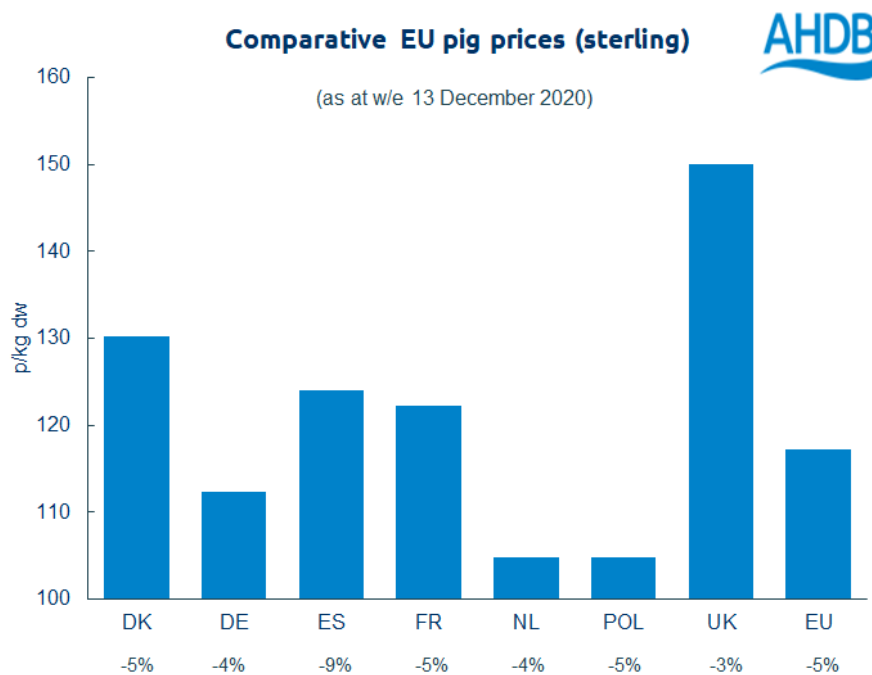


At this point, it seems likely that a significant number of pigs have been rolled into the New Year, though the cold weather may have helped slow growth rates somewhat. Sow performance also seemed to moderate a little in Q3 last year, which might also offer a little respite from ongoing high supply availability. However, considering the coronavirus pandemic remains challenging, processing capacity is likely to remain a key issue for the coming weeks.

The weakening finished trade was reflected in declining weaner prices too. The market has been weakening since the summer, likely also reflecting the rise in feed prices in recent months. In November 2020, the 7kg weaner price averaged £39.50/head, 4% down on the previous year. During December, weaner prices remained below year earlier levels. Reduced demand from finisher units, due to both a lack of space and higher feed costs, is likely to put further pressure on prices.

EU PRICES

EU pig prices have continued to decline in recent weeks. Since our last update, prices have dropped back a further €5 in the three weeks to 13 December, averaging €128.58/100kg. The further decline follows as the volume of pork available on the EU market remains elevated, with the ban on German pork exports to China ongoing. Furthermore, demand patterns continue to be disrupted by COVID-19, adding further pressure to EU pig prices, and volatility and uncertainty to wholesale pork markets.



Figures show % changes in 4 weeks to 13 December 2020

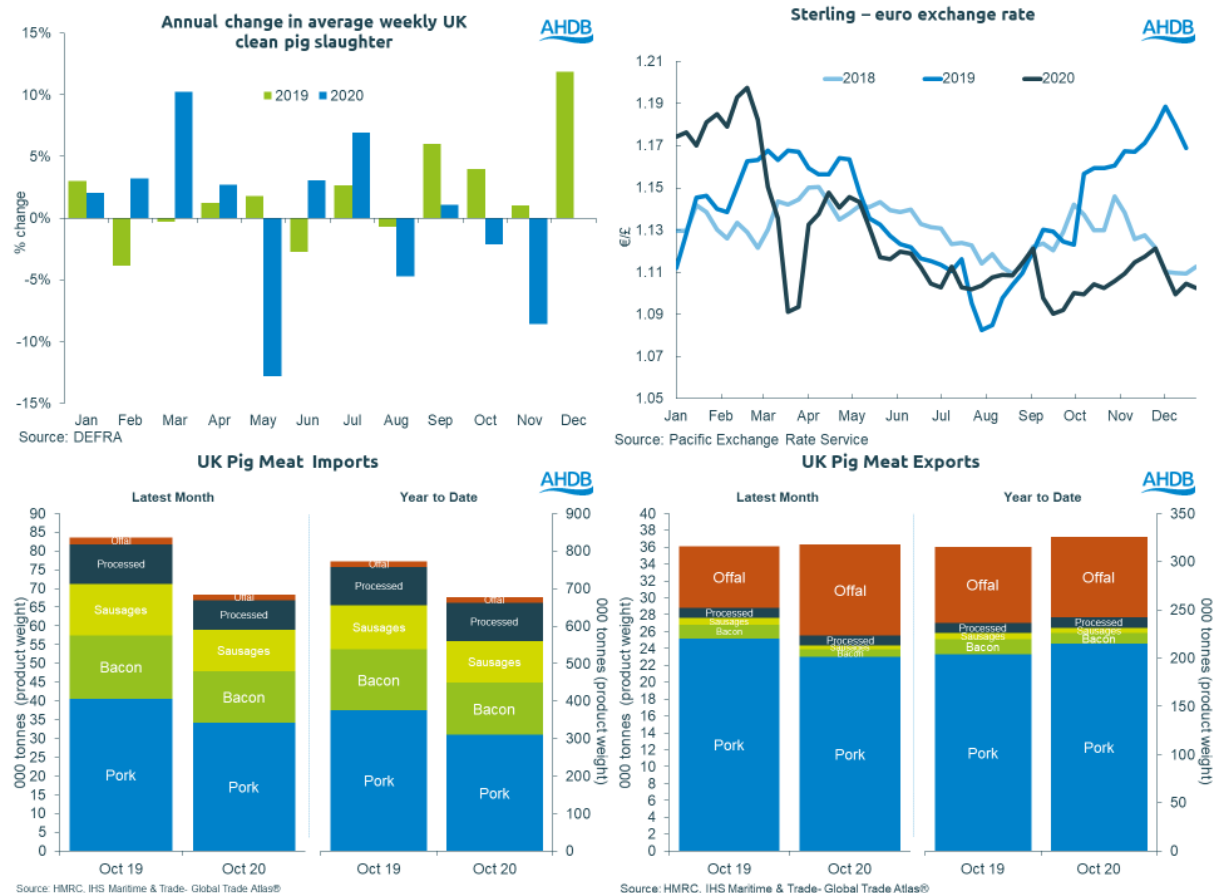
Source: EU Commission

In the three weeks to 13 December, the **German** price fell by nearly €4, to average €123.27/100kg. This the lowest the measure has been in at least the last five years. As Germany dominates the EU average price, this decline has also weighed on prices in other EU countries.

In **Denmark**, which also has a large influence on the EU market, the price has also fallen in recent weeks. Prices in **Spain** and **France** have followed a similar pattern, with the Spanish price falling by over €12 during this period, due to the number of pigs available outweighing demand.

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

The latest Defra data shows that the UK produced 83,900 tonnes of pig meat in November. This is 2% (1,600 tonnes) less than the same month last year. Despite this, production for the year-to-date totalled 898,100 tonnes, 2% more when compared to the same period in 2019.



A total of 908,700 clean pigs were slaughtered in November, **6% (53,300 head) lower than the same month in the previous year**, and 7% lower than October's figure. We had forecast a slight increase in slaughter pig availability for Q4 but this has not come through in the slaughter figures. However, **reports indicate a noticeable backlog of pigs has developed on farm, with abattoir throughputs restricted due to COVID-19 challenges.**

A decline in GB slaughter has driven the overall fall. **Clean pig slaughter across England, Wales and Scotland was 8% (62,000 head) down on November last year.** In Northern Ireland, throughput was actually 5% higher than last year.

UK slaughter of sows and boars totalled 20,400 head for the month, down 2,000 head on the same month in 2019. Total throughput for the year so far totalled 224,700 head, down just 500 head from that seen in the same period in 2019.

Clean carcase weights averaged 89.1kg, an increase of 0.82kg on the previous month and a significant **3.59kg heavier** than those seen a year ago. This is the **heaviest clean carcase average on record.** While rising carcase weights have been a long-term trend, such a large increase is likely the result of delayed pig slaughter due to the backlog waiting on farms.

TRADE

During October, the UK recorded a reduction in pig meat imports from all of the major suppliers compared to October 2019. This follows the wider trend of the year to date, which shows reduced volumes of pig meat being imported. Import volumes of all pig meat products were lower than last year during the month.

The value of pig meat (inc offal) imports fell in-line with the drop in volume during October, falling by 18% to total £194 million. Processed hams and primary fresh/frozen pork have seen prices fall recently, but average bacon and sausage import prices remain above 2019 levels, despite low EU farmgate prices.

When offal is included, UK pig meat exports were still slightly higher year-on-year for October. Offal exports were nearly 50% higher than October last year, at 10,800 tonnes. This was also 13% higher than October 2018. Shipments to China and Hong Kong drove the overall increase. Conversely, exports of fresh/frozen primary pork were 9% lower than last year at 23,000 tonnes. Although exports to China were still 17% higher than last year, volumes to most other destinations declined.

China is currently working to rebuild its domestic pig herd, which may ultimately start to limit the amount of UK exports sent to the region in the future.

Pig meat (inc offal) exports were valued at £62 million during October, a decline of nearly 4% year-on-year, despite the increase in export volumes. This reflects both a decline in average prices for fresh/frozen pork compared to last year, and an increase in the proportion of exports that were lower-value offal products.

Nonetheless, despite not reaching the highs of last year, average export prices across pig meat and offal products during October were still the highest since March.

FEED MARKET

Grains

UK ex-farm grain prices gained throughout December. With spot feed wheat quoted at £197.60/t and feed barley at £143.30/t, on 31 December. This has increased the discount of feed barley to feed wheat even further, now at £54.30/t. UK wheat has been following global grain prices up due to a very tight domestic supply, this has been supporting feed barley prices.

On 22 December, Defra released their final estimates for the 2020 UK crop. Reductions were seen for both wheat and barley production. The largest decline was for wheat, with production now estimated at 9.66Mt, down 475Kt from the October estimates. This is a 40.5% decrease from harvest 2019 and the lowest production since 1981.

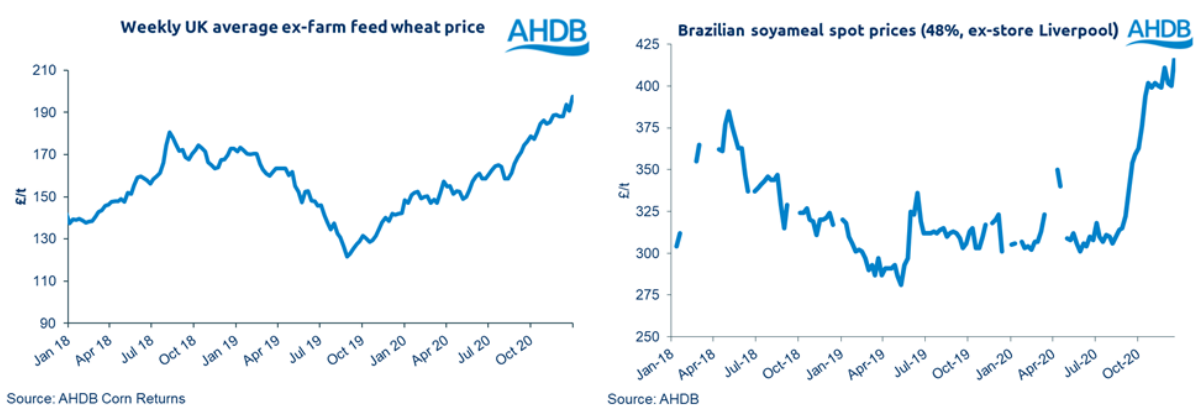
This change was led by cuts to both area and yield estimates. Wheat area is now estimated at 1.387Mha, 28Kha lower than in October. UK wheat yields were pegged at 7.0t/ha, down from 7.2t/ha in the previous estimate, and well below the 5-year average of 8.4t/ha.

The regional breakdowns in the [AHDB Early Bird Survey of planting intentions](#) for harvest 2021, were published on 23 December. Total wheat area is forecast to increase by 28% year on year to 1,776Kha with increases seen in every region of the UK. Winter barley is also forecast to be 25% higher than last year at 389Kha, however spring barley is pegged at 756Kha, down 30% year-on-year.

Global wheat markets were also supported towards the end of December, as Russia announced a €25/t tax on wheat exports from 15 February until the end of June. This has been introduced in an effort to stabilise domestic food prices. As a result, we have seen cuts to Russian grain export forecasts. Argentina have also announced a ban of any maize exports until 28 February, also in an attempt to stabilise food prices.

December's USDA world supply and demand estimates (WASDE) forecast tighter world grain stocks. World wheat ending stocks were cut by 3.95Mt from November's report to 316.50Mt. Global maize stocks were also cut month-on-month, by 2.47Mt, to 288.96Mt. Increased Chinese feed demand was a key driver of reduced stocks for both grains.

Global maize production could fall further on the back of prolonged dryness and low soil moisture in South America. While it is only the first crop feeling these impacts at present, this issue could become a problem for the safrina (second) maize crop.



Proteins

Nearby Chicago soyabean futures rallied throughout December reaching \$483.68/t, on 4 January. The nearby contract firmed by \$42.34/t, from 17 December to 4 January. Nearby Paris rapeseed futures also found some support over the same period, up €8.50/t to close at €421.50/t on 4 January.

UK spot oilseed rape prices (delivered Erith) tracked Paris rapeseed futures, with the price on 18 December at £380/t, up £9.50/t from 27 November. UK 48% Brazilian soyameal (spot, ex-store Liverpool) increased by £5.00/t over the same time period and was reported at £416.00/t on 18 December.

In the December WASDE release, US 2020/21 soyabean ending stocks were cut by 710Kt to 4.76Mt, the lowest level since 2013/14. The cut was driven by increases in US soyabean crushing.

The WASDE also knocked 1.60Mt off global oilseed production from the previous estimate, with production pegged at 595.68Mt. Argentinian soyabean production was cut by a further 1.0Mt to 50.0Mt, this outweighed increases in production of Canadian and Uruguayan soyabeans. Global oilseed ending stocks are now forecast at 97.76Mt, a cut of 810Kt on November's estimate.

According to the AHDB Early Bird Survey, UK rapeseed plantings for harvest 2021 are expected to decline for the third year in a row. The intended area is now just 312Kha, 18.1% down on harvest 2020. That said, in the AHDB crop conditions report, the domestic rapeseed crop is in very good condition with 77% of winter rapeseed rated 'good' or 'excellent' condition at the end of November, compared with just 30% at the same time last year.

CONSUMPTION

In the 12 weeks to 29 November 2020, spend on pig meat increased by 14%. Volumes grew by 8%, with growth across most major categories, except for chops and ready-to-cook. Processed pig meat volumes were up by 9%, with sausages, bacon, gammon and sliced cooked meats all increasing. Primary pork volumes rose by 7%. Roasting joints had the biggest volume uplift in primary (+1,000 tonnes) due to increased shopper numbers. This was driven exclusively by loin roasting as shoulder and leg both saw declines in volume.

Trends in retail meat purchases (period ended 29 November 2020)

	4 weeks 2020/2019			12 weeks 2020/2019			52 weeks 2020/2019		
	Q	E	P	Q	E	P	Q	E	P
	% change compared with a year earlier								
Total Pig Meat*	+10	+14	+4	+8	+14	+5	+7	+13	+6
Fresh & Frozen Primary Pork	+10	+19	+8	+7	+16	+8	+6	+13	+7
<i>Belly</i>	+31	+42	+9	+23	+37	+12	+23	+36	+10
<i>Chops</i>	-8	-3	+6	-3	+1	+4	+4	+4	+0
<i>Steaks</i>	+5	+17	+11	+3	+14	+11	+3	+10	+7
<i>Shoulder Roasting Joint</i>	+13	+9	-3	-2	-3	-1	-2	-1	+1
<i>Leg Roasting</i>	-3	+11	+15	+5	+19	+13	-10	+2	+13
<i>Loin Roasting</i>	+46	+40	-4	+38	+37	-0	+37	+35	-2
<i>Mince</i>	+11	+16	+5	+12	+19	+6	+8	+16	+7
<i>Pork Ribs</i>	+95	+91	-2	+33	+38	+3	+16	+20	+4
Processed pig meat products	+10	+15	+4	+9	+15	+5	+10	+16	+6
<i>Bacon</i>	+13	+15	+2	+8	+12	+4	+11	+18	+7
<i>Pork Sausages</i>	+7	+11	+4	+9	+15	+6	+14	+21	+7
<i>Gammon</i>	+15	+21	+5	+14	+24	+9	+8	+21	+11
<i>Pork Sliced Cooked Meats</i>	+11	+17	+6	+8	+15	+6	+5	+12	+6
Added Value	-13	-2	+12	-6	+5	+12	-2	+5	+7
Other	+12	+11	-1	+9	+11	+2	+3	+8	+5
Total Beef*	+10	+14	+3	+8	+12	+4	+10	+12	+2
Total Lamb*	+13	+20	+6	+13	+18	+5	+2	+8	+5
Total Chicken*	+10	+9	-1	+7	+8	+1	+8	+6	-1

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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