United Kingdom Pig Meat Market Update

April 2020

UK PRICES

GB finished pig prices remained steady during March, continuing to lack any of the usual seasonal trends. Nonetheless, this means prices remained at an elevated level, with the APP averaging 165.48p/kg, 0.73p more than in February. This is nearly 23p higher than in March 2019 and is the sixth highest monthly average on record. The APP remained flat into April, standing at 166.60p/kg in the week ended 18 April.

It was a similar story for the SPP, which averaged 163.21p/kg in March, 0.48p more than in February. By week ended 25 April, the SPP stood at 164.00p/kg.

Although the pig price remained stable, wider society experienced significant disruption due to the coronavirus pandemic. Restaurants were ordered to close mid-March, and so demand from this avenue collapsed. Conversely, panic buying from consumers led to a spike in retail demand. All this caused significant disruption to supply chains, though the pork industry has managed to accommodate this reasonably well. Difficulties with exports to China were also reported to have eased somewhat, helping support prices, though international competition and container availability means challenges remain.

Average carcase weights in the SPP sample have remained relatively high throughout the first quarter of 2020. However, there was a dip in the second half of March, with pigs brought forward to ease the risk of difficulties if slaughter capacity had been limited by staff shortages in subsequent weeks.
Seasonally, weights also typically decline from around the start of March. The SPP weight for March was over 600g heavier than last year at 85.69kg. The APP weight recorded a smaller annual increase of 130g. Increasing weight limits for boars, improving genetics and firm pig prices have probably played a role in this increase.

Weaner prices also remained relatively unchanged in March. The monthly average of £42.61/head for a 7kg animal was only 30p higher than in February but over £7 higher than in March 2019. At this level, prices are at their highest since September 2017. Nonetheless, uncertainty over the future market direction probably limits how much finishers are prepared to pay. Prices have remained similar during April, standing at £42.58/head in the week ended 25 April.

Trading on the 30kg weaner market remains patchy, though when prices were published in March, they were relatively high. The monthly average stood at £61.79/head, nearly £3 higher than the previous month.

**EU PRICES**

Average EU pig prices have now been falling since mid-March, reaching €178.66/100kg in the latest week ending 26 April. As prices accelerated at this time last year, reacting to strong Chinese demand, the difference compared to 2019 levels has narrowed. In March, prices were about €50 more than a year earlier, but this has fallen to just €9 in the latest week.

The market is suffering from a drop in demand due to foodservice closures and COVID-19 restrictions across Europe. Reports indicate that retail demand is not sufficient for the supply level, even though finished pig numbers are not large. Export markets also seem reasonably subdued; prices offered by China are reportedly lower than the European price level.

Declining pig prices were a feature of nearly all member states:

![Comparative EU pig prices (sterling)](image)

(Images show % changes in 4 weeks to 26 April 2020)

Source: EU Commission
Italy does not publish a reference price. However, the national 160/176kg live price has **dropped €20** in the four weeks to 1 May, to €120/100kg. The situation is reportedly very bad, with many closed processing facilities disrupting the marketing chain, particularly for hams.

At the same time, the UK price (which is no longer included in the EU average) has risen in euro terms, with the strengthening pound boosting a modest increase in sterling prices. As a result, while EU prices were €10 above the UK in mid-March, the UK is now over €9 higher.

**UK SLAUGHTERINGS AND PIG MEAT SUPPLIES**

In March, UK clean pig slaughter reached 944,400 head, 10% more (85,000 head) than in March 2019, according to the latest data released by Defra. The increase is partly influenced by an additional weekday in the month this year. Reports also suggest some pig slaughter has been brought forward to reduce the potential for future difficulties in the supply chain brought about by the COVID-19 pandemic. This suggests there may now be a short-term tightening of finished pig supplies.

All UK countries recorded a considerable uplift in slaughter in March; however, the uplift in England & Wales accounted for the majority.

- England & Wales ↑10% to 751,000 head
- Scotland ↑7% to 30,000 head
- Northern Ireland ↑10% to 163,000 head

As such, in the first quarter of this year, UK clean pig slaughter totalled 2.76 million head, 5% (131,000 head) more than in the previous year. March alone accounted for 65% of this increase.

**Carcase weight**

Finished pig carcase weights in March averaged 86.6kg, 1.0kg (1%) more than in the same month last year. While this is still ahead of last year, it is 0.2kg less than the weights recorded in February. A seasonal decline in weights is typically seen at this time. However, this may also be due to producers pulling pigs close to finishing forwards, this year. These animals will have likely been slightly lighter, which would reduce the overall average.

**Adult pig slaughter**

Slaughter of sows and boars also recorded a rise in March, although not to the same magnitude as clean pigs. Adult slaughter totalled 21,300 head, 1% (300 head) more than at the same time last year.

**Production**

In March, UK pig meat production reached 84,800 tonnes, 11% (8,100 tonnes) more than the same month in the previous year. As such, in the first three months of this year, UK production totalled 248,100 tonnes, 6% (14,300 tonnes) more than in the same period last year.
Trade

The UK imported 21% less fresh/frozen pork in February compared with the same month in 2019. A declining trend has been seen since April last year, through the drop this month was particularly strong. Less pork was received from all of the key suppliers.

The ease in import volumes is probably partially due to Brexit stockpiling at this time last year. However, prior to “panic-buying” from consumers amid the coronavirus outbreak, demand in the UK had been relatively weak with retail figures showing declining sales volumes.

EU pork has also been relatively expensive; during February, the average import price was £2.35/kg, over 30% higher than a year earlier, reflecting a similar rise in EU finished pig prices. This meant that despite the lower volume, the value of fresh/frozen pork imports was 4% higher, at £70.4m. In contrast, GB farmgate prices were only 18% higher, and so unusually have been below the EU average. The UK is now paying a similar price to China for imported pork, although the Chinese average includes offal products.

Bacon imports were also lower again during the month, reflecting falling volumes from Germany, Denmark and Italy in particular. A declining trend also continued to be seen in shipments of processed products and sausages.

In contrast, the UK fresh/frozen pork export market recorded an 8% year-on-year increase in shipments in February. Exports to China remained considerably above year-earlier levels at 7,500 tonnes, up 73% year-on-year. This growth rate was a little lower than that recorded in 2019, when volumes doubled. Reports at the time did suggest some slowdown in Chinese demand, and logistical problems arising from the coronavirus lockdown. Export prices to China were the lowest since August.
When looking at exports of other pig meat products, the picture is less positive. Shipments of pig offal dropped by a third, offsetting the rise in pork shipments. Trade with most destinations, including China, was reported as down.

However, while total volumes were down when offal is included, the value of exports was still higher than in February last year, at £45.2m (+11%).

**FEED MARKET**

**Grains**

Domestic wheat prices overall remained relatively firm throughout April, despite pressures from the coronavirus pandemic. One of the main factors negatively affecting markets has been falling demand for maize from the US ethanol industry. This has pulled down US wheat prices. However, European wheat markets have seen increases over recent weeks as some Black Sea countries moved to impose wheat export restrictions.

The closure of many food service outlets both here in the UK and globally has affected the demand for wheat. A knock-on effect on demand for meat has also been seen, especially due to many events, including the Euro-2020 football championships, being postponed. This has pressured grain prices to fall due to the increased supply of grain available.

The April USDA supply and demand estimates detailed an increase to ending stocks for both wheat and maize, as a result of reduced consumption figures (see above). As mentioned previously, reduced demand for US maize from its ethanol sector has impacted global grain markets. This unexpected additional supply of maize will add to the global surplus of grain available for animal feed throughout this year, which will keep pressure on feed grain prices.

Current watch points for feed grain markets include:

**South America:** Southern parts of Brazil have been without rainfall for much of April, this dryness has also affected Northern parts of Argentina. Though it is a little too early to tell if there will be an effect on maize yields, it remains a watch-point nonetheless as any downward revisions to production figures will offer support to prices.

**Black Sea:** Dry conditions have persisted for much of Ukraine and parts of Southern Russia. Crop conditions are relatively unfavourable as a result. There has been some rainfall in recent days, but the volume has been below required levels. The UK imports large amounts of feed grain from Black Sea regions, so reductions to final production figures could lead to increases in imported grain prices.

**US:** Planting of maize and soyabean crops is underway, and usually finishes in the later weeks of May. Conditions are currently favourable and large areas of both are expected. Some maize area could be switched into soyabeans, covered below. However, plentiful stocks of maize are likely to remain in the US.

Looking at the UK, one developing issue throughout April was the lack of rainfall. The brighter weather enabled many growers to get on well with spring planting. However, the start to the silage season is beginning to see some effect from the dry weather. As of 27 April, seasonal grass growth data (kg DM/ha) dipped below the previous two years after trailing just 2018. There is rainfall expected in the near short term, which should alleviate some worries.

As we move into unprecedented territory with coronavirus, the UK grain trade has come together to provide advice on the steps to take when loading grain on farm, into port, or receiving deliveries of inputs. The coronavirus guidance for combinable crop deliveries and collections is available here.
The derogation of the three crop rule could increase the likelihood that the planned 1.042Mha spring barley area gets planted. In turn, this could mean feed barley remains at a sizeable price discount to wheat in the months ahead.

**Proteins**

Global oilseed prices continued their *downward trajectory* from March, pressured by the *fall in demand for transport fuel*. The International Energy Agency (IAE) expected demand for oil in April fall to levels not seen since 1995. There are knock-on effects on the vegetable oil sector, as some supply is used to create biodiesel. In March, the temporary closure of some bioethanol plants in the US affected the supply of the by-product *dried distiller grains* (DDG), a common feed alternative, this *increased demand for soya meal*.

In April, we have seen soya meal prices fall back from high prices seen in March. As the UK is a net-importer of soya meal and other high protein feed, the declines have helped some livestock producers and feed manufacturers. On 27 March, delivered (48% Pro) soya meal was quoted at £375.00/t for May (ex-store Liverpool). As of 24 April, the same price had declined £58.00/t and was quoted at £317.00/t. This is covered in more detail here.

An important watchpoint for the next few weeks is the US planting figures. The forecasted soyabean planted area is 33.8Mha, up 10% on last year when heavy rainfall limited the area. However, the reduction to maize demand for bioethanol mean some *farmers could increase their soyabean acreage* at the expense of maize. As of 27 April, 8% of the US soyabean crop has been planted, vs the 4% five year average for this point.

Soyabean markets look *well supplied for the remainder of the season*, benefitting from a bumper crop in South America. The USDA estimate global end of season stocks at 100.5Mt. With demand affected by coronavirus for the foreseeable period, protein meal markets could be affected by this supply available throughout this calendar year.

**CONSUMPTION**

The 12 weeks to 22 March encompasses a period of significant lifestyle change, with eating out venues being forced to close and the UK entering a period of “lockdown”. As such, red meat retail sales recorded a significant uplift, particularly in the latest 4-week period. This data covers the start of the “lockdown” period, so will include some panic buying and stockpiling behaviours. However, with more meals now consumed at home, this will also provide continuing support to retail demand.

Total pig meat sales volumes increased by 3% on the year over the 12 weeks, but by 18% in the latest 4 weeks alone. Processed products particularly drove volume gains. Sausages and bacon increased volume sales by 9% and 6% respectively over the 12-week period, having previously been in decline.
**Trends in retail meat purchases (period ended 22 March 2020)**

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| **Total Pig Meat**     |         | +18    | +26    | +6       | +3     | +10    | +7       | -2     | +1     
| Fresh & Frozen Primary Pork |         | +10    | +17    | +7       | -5     | +0     | +6       | -3     | -3     | +1     |
| Belly                  |         | +11    | +20    | +8       | +6     | +10    | +8       | +4     | +5     | +1     |
| Chops                  |         | +36    | +37    | +0       | +3     | +0     | +2       | -2     | -2     | -1     |
| Steaks                 |         | +10    | +14    | +3       | -8     | -5     | +4       | -6     | -7     | -1     |
| Shoulder Roasting Joint|         | -11    | -9     | -3       | -22    | -22    | +0       | -10    | -7     | +4     |
| Leg Roasting           |         | -10    | +1     | +12      | -24    | -14    | +14      | -8     | -6     | +3     |
| Loin Roasting          |         | +52    | +45    | -5       | +46    | +34    | -8       | +18    | +5     | -11    |
| Mince                  |         | +11    | +17    | +5       | +1     | +6     | +6       | +2     | +7     | +4     |
| Pork Ribs              |         | +47    | +53    | +4       | +17    | +18    | -1       | -2     | -2     | +0     |
| **Processed pig meat products** |         | +22    | +29    | +6       | +5     | +14    | +8       | -2     | +1     | +4     |
| Bacon                  |         | +22    | +35    | +11      | +6     | +17    | +10      | -3     | +2     | +4     |
| Pork Sausages          |         | +33    | +42    | +7       | +9     | +17    | +8       | 0      | +3     | +3     |
| Gammon                 |         | +27    | +40    | +10      | +4     | +17    | +12      | -8     | -1     | +8     |
| Pork Sliced Cooked Meats|        | +10    | +18    | +8       | +2     | +10    | +7       | -2     | +1     | +3     |
| Added Value            |         | +40    | +41    | -1       | +10    | +11    | +1       | +4     | +3     | -1     |
| Other                  |         | +13    | +16    | +3       | +4     | +7     | +4       | -1     | +1     | +2     |
| **Total Beef**         |         | +36    | +32    | -2       | +11    | +10    | -1       | +2     | +2     | -1     |
| **Total Lamb**         |         | +12    | +14    | +2       | -1     | +3     | +4       | -1     | +2     | +3     |
| **Total Chicken**      |         | +23    | +20    | -3       | +9     | +7     | -2       | +3     | +2     | -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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