

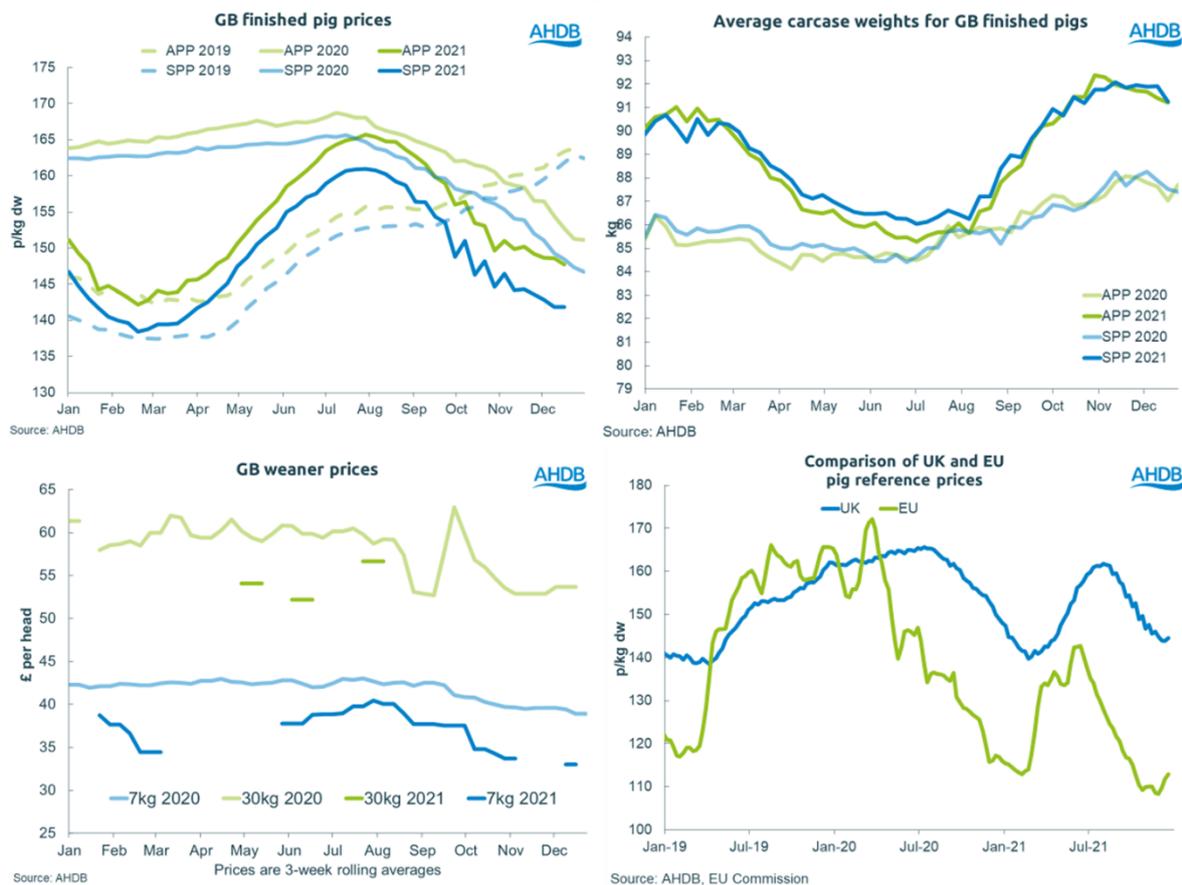
United Kingdom Pig Meat Market Update

January 2022

GB PRICES

GB finished pig prices fell further in November, the EU-spec APP averaging 150.07p/kg in the month, nearly 4p lower than in October. Weaker EU and UK pork exports to China continue to take their toll on the market, although European prices have more recently shown some signs of stability (see below). The lack of butchery capacity in Britain relative to the number of live pigs available continues, with some farms still experiencing severe difficulty with the number of pigs on farm. At a national level, carcase weights had at least stopped rising in the run-up to Christmas, although it's too early to say what effect shorter killing weeks over the break may have had.

GB prices continued to fall throughout December. By week ended 18 December the EU-spec APP had fallen to 147.73p/kg. The EU-spec SPP price averaged 144.61p/kg in November, more than 3p lower on the month. By the week ended 18 December, this measure had fallen further to 141.82p/kg.



Carcase weights have continued to be heavier than would be expected for the time of year, even accounting for expected annual growth. Some producers have been forced to hold on to market ready pigs for longer, and as a result the average carcase weight in the APP sample in November was 91.95kg, more than 4kg above November 2020. By mid-November, EU-spec average carcase weights appear to have levelled off, before even falling slightly as would be expected in the run up to Christmas. However, pigs were still more than 4kg heavier than the year before.

Reported weaner prices were scarce in November, although it's reasonable to assume that the weakness observed in October would have continued into the month, with little respite in the finished pig market to offer any support.

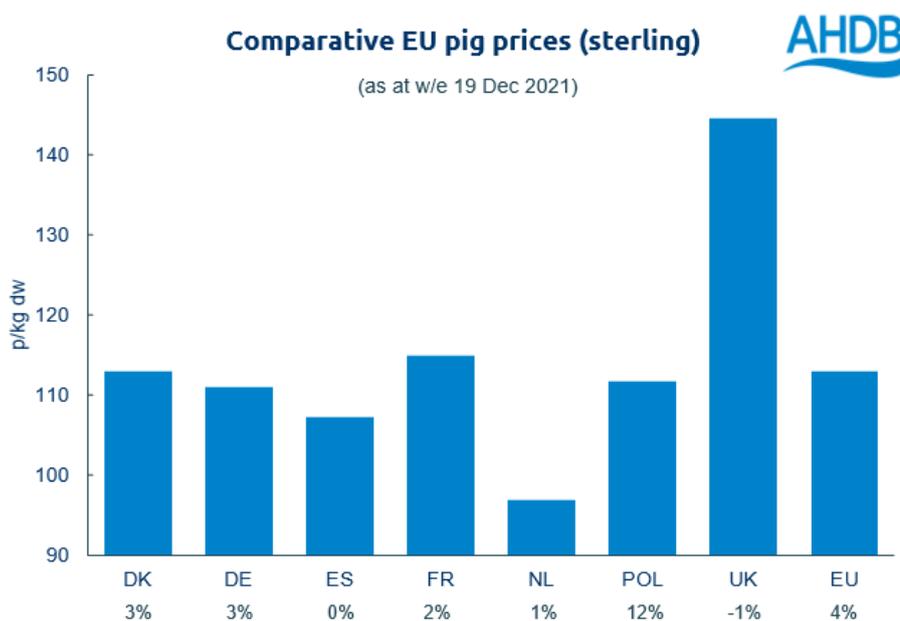
EU PRICES

Having fallen for 20 consecutive weeks up to the end of October, the EU average pig reference price started to lift slightly in the run-up to Christmas. By the week ended 19 December, the average price had risen to nearly €133/100kg. Nonetheless, while this is the highest level since the start of October, it is still very low by historical standards. Prices were also low in 2020, and this latest price is actually nearly €4 higher than in the equivalent week the year before, although this is more than €60 lower than two years ago.

Falling prices over the summer were driven by [plentiful supplies](#) at a time when the [export market became more challenging](#). More recent industry reports suggest that supply and demand are now more balanced.

Most of the key producing Member States recorded some rise in prices during the weeks before Christmas; Spain was an exception and recorded a more volatile price trend. Dutch prices were also more stable. Over the latest 4-week period the largest rises were in northern Europe, with the Danish and German prices both up by about €3. Having previously fallen sharply, Polish prices also recovered more strongly from mid-December.

The UK has continued to see falling prices. This has started to close the price difference between the UK and EU average, which has narrowed from €44/100kg to €37/100kg over the latest 4-week period. Nonetheless, this price differential remains large by historic levels, and so although they've increasing, comparatively low EU prices may continue to exert downward pressure on UK prices in very near term.



Figures show % changes in 4 weeks to 19 December 2021

Source: EU Commission

UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

UK clean pig slaughter in November was 8% higher than in 2020, at 980,800 head. While this will be partly influenced by an additional weekday in the month this year, on a like-for-like basis slaughter would still be 3% above last year's level. November slaughter last year was somewhat depressed due to staffing challenges at abattoirs, and while we are also seeing problems this year, it seems we have nonetheless been able to slaughter more pigs.

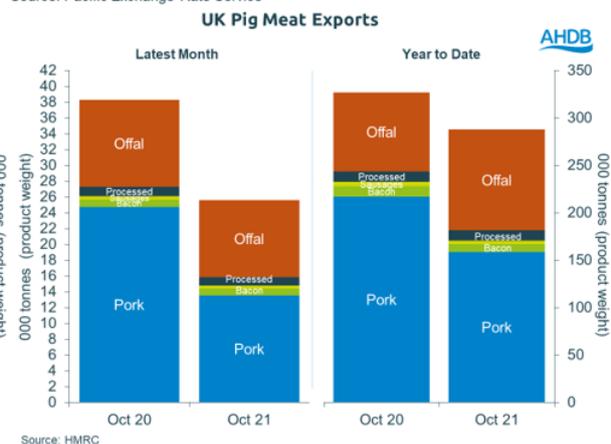
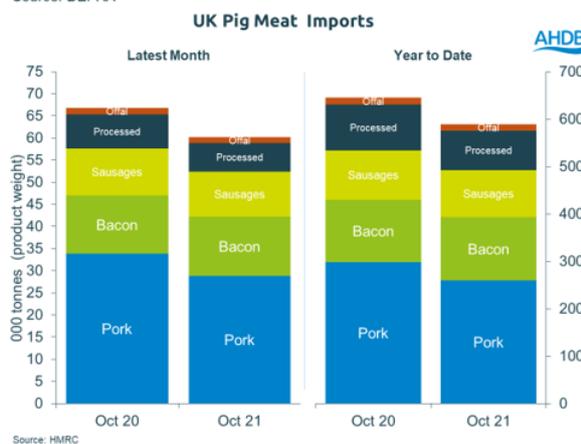
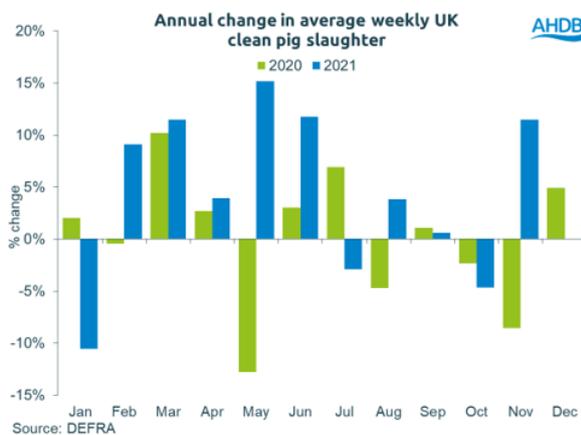
The increase was driven by a noticeable 12% rise in English throughput while in Northern Ireland numbers were up by just 1%. Scottish slaughter remains depressed compared to last year, down by a third at 22,000 head.

Clean pig slaughter for the first eleven months of this year totalled 10.3 million head, 3.5% more than the corresponding period in 2020.

Reported figures for adult sow and boar cullings have been volatile in recent months. However, the figure for November seems more reasonable, totalling 22,400 head, 10% more than the 2020 figure, which was quite low. The official number for cullings in the year to date now totals 221,000 head, nearly 2% lower than last year. [AHDB's estimates suggest the actual number may be somewhat higher than this](#) at more like 238,000 head, which would be about 5% above last year.

The average UK clean pig carcase weight was the same as in October but still substantially higher than last November at 91.2kg. Weights remain elevated as there continue to be difficulties getting pigs to slaughter on time.

With both slaughter and carcase weights higher than year earlier levels, pig meat production was also up on last year, increasing by 11% to 93,000 tonnes.



TRADE

The UK's export performance continued to falter in October. Fresh/frozen pork shipments were down compared to both September (-5%) and October the previous year (-45%), at 13,500 tonnes.

Pork shipments to China were barely over 4,000 tonnes, just a third of last year's level, and the lowest volume since December 2018.

Exports to the EU were also down 35% to under 7,000 tonnes. Falling Chinese demand has led to oversupply within the EU and low prices, meaning UK product is uncompetitive. Ongoing effects of Brexit are also probably still playing a role.

Shipments of bacon, ham and sausages also recorded declines. Offal exports weakened too, with October's total of 9,700 tonnes 12% lower than last year, although this was still higher than the September volume. The decrease was largely down to lower shipments to China (-35%). All in all, it is clear that [the weaker Chinese market](#) has significantly depressed our export prospects, alongside those of other global pork exporters.

As has been the case throughout 2021, UK fresh/frozen pork imports during October were down on a year earlier (-15%), at 28,800 tonnes. Ham imports were also 17% lower than in 2020 and sausage volumes were 4% lower, continuing trends seen throughout the year so far. Bacon continued to be the exception to the generally falling picture, with volumes up by 2%.

Despite pork imports overall being lower, volumes of boneless product held steady, as some processors attempt to dedicate their own butchery staff to dealing with British pigs.

With imports remaining low in October, overall pig meat imports (incl. offal) remain depressed in the year to date, totalling 589,000 tonnes, which is 9% below the already low level shipped in 2020.

Low prices for pork in the EU are likely still having a negative effect on our domestic pork prices, as long as the potential remains for this pork to be imported if its price competitiveness is strong. Nonetheless, so far it seems that the volume of EU pork that has actually arrived in the UK is relatively low.

FEED MARKET

Grains

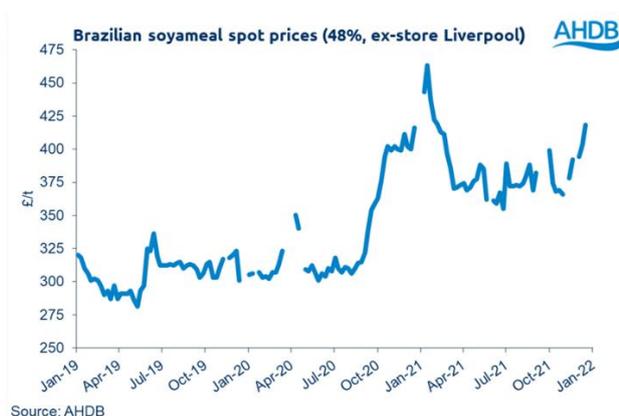
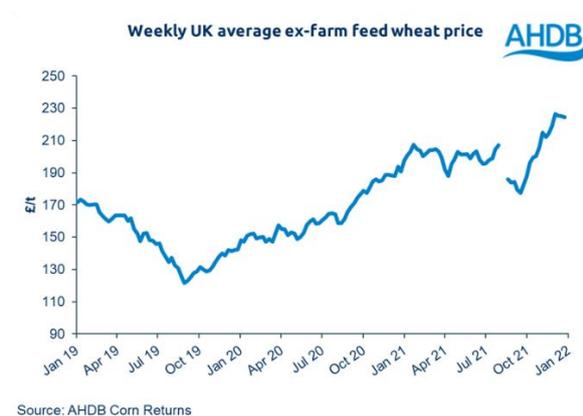
A tight global wheat supply and demand picture continues to strengthen UK grain prices. Also offering support is a [tight UK supply and demand picture](#), this is helping to keep UK ex-farm grain prices elevated. Due to logistics and local demand [Scottish and northern ex-farm wheat prices are rising faster than other areas](#).

Last month, UK ex-farm barley prices rose faster than UK wheat prices again. This narrowed the discount between both commodities by another £0.40/t, to £9.20/t. Demand for UK barley is expected to remain relatively strong this season. December's USDA World Agricultural [Supply and Demand Estimates \(WASDE\) increased global ending wheat stocks by 2.4Mt](#) (released 09 Dec) from the previous report, to 278.2Mt. This was due to increased production estimates for Australia (+2.5Mt), Russia (+1.0Mt), and Canada (+0.65Mt) outweighing any uplift in demand figures. Despite some initial pressure to wheat markets, prices remain strong as news was not 'new' to the trade, and the demand and supply picture remains tight.

Australia is expecting a bumper wheat crop this season (at 34.4Mt) on higher-than expected yields. This raises production estimates 3% above last season. Though, milling quality concerns remain considering recent wet weather. This may mean more than usual feed wheat available. Russian export forecasts by the USDA are still reportedly higher than some trade expectations. This is considering [rising Russian export prices](#) and a [possible 9.0Mt wheat export quota](#) from 15 Feb to 30 Jun 2022. If Russian exports are tightened, this may mean further reduced global supplies.

Demand has also been supporting wheat markets in December. This includes tenders from the Middle East and North African countries, as well as [more recently from China](#). Weather monitoring continues in South America as [we see dry weather impact on soil moisture](#). Dry conditions in Brazil especially are important to watch, given this dryness covers key maize and soyabean producing states. Maize markets are expecting and relying on large crops from Argentina and Brazil, as key exporters.

[US ethanol demand has been strong](#) in recent weeks, supporting feed grain prices. However, recently the Environmental Protection Agency (EPA) proposed trims to the 2020 and 2021 biofuel mandates, from 2019. Though 2022 is set to rise from 2019. In the UK, the AHDB's [first crop condition report shows good crop establishment to the end of November](#). Conditions look improved from this time last season. The mild and settled autumn weather allowed for successful drilling and optimum spraying conditions.



Proteins

Rapeseed and rapemeal prices continued to see support over the past month. This is due to both global and specifically EU supply and demand for rapeseed remaining tight. Global oilseeds and oil markets experienced a volatile week at the start of December, as news emerged on Omicron variant. Concerns remain around travel restrictions and reduced demand for fuel, and subsequently oil from global restrictions.

For soyabeans, the latest USDA WASDE report did not result in large changes to the supply and demand picture. Though Brazilian forecasting agency Conab have increased their forecast for the country's soyabean crop to 142.8Mt (up 0.8Mt).

[South American weather is a watchpoint for soyabean markets](#) over the next few months, with markets expecting large South American soyabean crops. This is pressuring the longer-term outlook for soyabean prices. As at 8 December, 75% of the Argentinian soyabean crop was rated good to excellent condition, according to Bolsa De Cereales. Though this is compared to 88% a week earlier. Recent dry weather in parts of Argentina, and forecasts ahead, continue to be watched closely.

In the UK, the AHDB [Early Bird Survey](#) for plantings and planting intentions for harvest 2022 shows an increase of 12.9% of rapeseed area from last season. This would be the first yearly rise since 2018.

However, at 345Kha, this would still be behind 2020 (380Kha) and the 5-year average (2017-2021) at 472Kha. It is important to remember this is drilled area too.

CONSUMPTION

For the 12 weeks to 28 November, retail spend on pig meat decreased by 5%, and volumes declined by nearly 7% compared to 2020, according to Kantar data. The decline in volume comes as sales are compared back to a period the year before with more restrictions. Compared to two years previously, pork is the only red meat to see growth with volumes up 2% compared to the same period in 2019. Processed pig meat volumes declined by 7%. Both bacon and sausage volumes have declined significantly compared to 2020. Volumes of sausages remain up 1% compared to the same period in 2019 but bacon volumes have fallen by nearly 3%. Primary pork volumes declined 9% year on year with the decline coming from roasting, chops, and mince. Ribs and belly remain in growth. Pork belly growth was driven by increases from existing shoppers, while ribs have attracted new shoppers.

Pork retail summary 12 w/e 28 November 2021

| Cut | Spend | Spend year-on-year | Volume (kg) | Volume year-on-year | Average price (£/kg) | Average price year-on-year |
|---------------------|-----------|--------------------|-------------|---------------------|----------------------|----------------------------|
| Total pork | £1,285.4M | -5.3% | 217.1M | -6.5% | £5.92 | 1.4% |
| Primary pork | £169.8M | -6.7% | 34.4M | -8.8% | £4.94 | 2.5% |
| Total steaks | £49.9M | -4.5% | 9.3M | -4.5% | £5.34 | 0.0% |
| Total roasting | £58.5M | -7.9% | 12.5M | -12.8% | £4.67 | 5.7% |
| Chops | £18.4M | -9.6% | 4.0M | -10.2% | £4.59 | 0.7% |
| Mince | £11.9M | -12.3% | 2.6M | -11.2% | £4.59 | -1.3% |
| Belly | £17.0M | -2.9% | 3.1M | 0.5% | £5.46 | -3.4% |
| Pork ribs | £6.1M | 8.2% | 0.9M | 4.1% | £6.64 | 3.9% |
| Processed pork | £798.9M | -6.6% | 122.4M | -7.1% | £6.53 | 0.5% |
| Sausages | £171.4M | -4.8% | 38.1M | -7.3% | £4.50 | 2.7% |
| Bacon | £199.2M | -14.5% | 34.0M | -10.3% | £5.85 | -4.7% |
| Gammon | £62.0M | -13.9% | 11.7M | -12.4% | £5.30 | -1.9% |
| Sliced cooked meats | £361.3M | -1.2% | 37.9M | -2.0% | £9.54 | 0.7% |
| Marinades | £11.7M | -5.6% | 1.7M | -6.9% | £6.79 | 1.5% |
| Ready to cook | £13.7M | -4.9% | 1.8M | -10.4% | £7.77 | 6.1% |
| Sous vide | £25.6M | -11.0% | 3.4M | -13.9% | £7.50 | 3.3% |

Source: Kantar

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