

JANUARY 2017 PIG COMMENTARY

6th January 2017

2017 got off to a fairly positive start as far as the GB pig industry is concerned, with the SPP nudging up another 0.10p to stand at 151.90p. Better news also from the other side of the Channel was that the influential German producer price had gone up 5 Euro Cents and, as far as currency values are concerned, the Pound continues to suffer from its post Brexit hangover with the result that a strong Euro traded today worth 85.76p.

Spot bacon buyers were conspicuous by their absence and a relatively “quiet” market ensued in this sector, with spot bacon quotes at or around the 150p/kg mark, but there are reports of some contract weekly contribution prices also drifting easier in places by a couple of pence, although others have remained at stand levels.

As far as cull sows are concerned, a combination of a strong Euro as well as rising German pigmeat prices helped to put another 3p/kg into GB sellers’ pockets with most culls traded at or around 91p – 93p/kg and the odd copper available for big loads in some areas.

The weaner market continues to reflect a shortage of pigs in the system with the latest AHDB 30kg ex farm weaner average of £56.47/head up by almost £3/head and 7kg piglet average values also continuing to improve standing at £39/head but, as mentioned in previous reports, spot weaners are generally trading well ahead of contract prices because of the ongoing sellers’ market that has developed.

As far as feed prices are concerned, GB ex farm feed wheat values have remained firm at similar levels in the £133.50/t region, compared with £102/t 12 months earlier. On the futures markets forward prices have continued to improve with January feed wheat quoted on the LIFFE exchange at £141.30/t and May at £144/t.

Looking further afield, cold dry conditions during December have hindered wheat crops on the US Plains, with only 25% of the crop in the Oklahoma region being classified in good/excellent condition and although pig prices are continuing to support higher feed costs, producers would be well advised to keep a close eye on the commodity markets in the weeks ahead.

Protein prices have remained little changed with Brazilian soya meal quoted ex Liverpool in mid-December at £324/t.

And finally, despite UK GB pig prices being at significantly higher levels than a year ago, reports are being received that pigmeat demand in China has eased leading to sharp falls in retail prices coupled with the latest US Agricultural Department quarterly report indicating significant growth in the US pig herd; this caused Chicago pigmeat futures to drop sharply in late December with larger supplies of pigs lined up over the next few months, but hopefully these two factors will not lead to any significant price falls within the European market...we shall see.

p.s. The next Chinese New Year of the pig will not be until 2019, so a little while to wait. We have the rooster (2017) and the dog (2018) to get through beforehand.

13th January 2017

Despite it being Friday 13th, another fairly positive trading week during a time of year when prices can be notoriously fragile and although the SPP moved back by 0.66p to stand at 151.24p, with one exception, weekly contribution prices remained at similar levels; mainly between 146p and 153p/kg.

Spot bacon prices were generally in the 153p/kg region, although there was an extra penny or two available earlier in the week when buyers were looking for extra numbers, but by Friday afternoon most had all they needed.

Despite the influential German producer price dropping by 5 Cents, an improvement in the value of the Euro helped to prevent any significant price falls on this side of the Channel and the Euro closed the day worth 87.27p compared with 85.76p a week earlier, but at least this helped to cancel out any falls in pigmeat prices triggered by lower German quotes.

As a result, most cull sows were traded within the 90p – 94p/kg range according to load size, but both of the major abattoirs were prepared to absorb fairly high volumes now that the holiday period is well behind us.

The latest AHDB 30kg ex farm weaner average has stayed virtually unchanged at £56.65/head, although the 7kg average was down by just over £1/head to £37.92/head.

In both cases, however, there is still a fairly wide disconnect between contract and spot prices with the latter trading in some cases at £2 - £4/head higher than these levels, especially for Freedom Food Farm Assured stock.

However one downside of a weak Pound is the effect this has on imported feed as well as pushing up the value of exports and, as mentioned in last week's Commentary, pig producers need to spend time in their office keeping an eye on the grain markets where prices continue to rise, with UK ex farm feed wheat traded at £137.50/t, but very difficult to actually buy at much less than £140/t.

Futures markets also ended the week on a firmer note with feed wheat quoted on the LIFFE exchange at £145.90/t and July at £148.30/t.

Adverse weather conditions in the US and Ukraine are continuing to put upward pressure on grain prices, but global soya bean values dropped last week due to a slowing down in export demand for US soya beans.

48% Brazilian soya meal traded ex Liverpool during the first week of the month at £330/t with 34% rape meal ex Erith at £172/t.

And finally, more (possible) good news was if the World Trade Organization rule that Russia's ban on live pig and pigmeat exports is lifted, this could help to open up what was previously a valuable market until the export embargo was put in place in January 2014, when previously European pork exports to Russia worked out at around 750,000 tonnes a year and this could help to stimulate the EU pork market significantly in the months ahead.

20th January 2017

Finished pig prices have eased a shade with the SPP down by 0.2p to stand at 151.04p and some weekly contract contribution prices also losing a penny in places, with most in the 145p – 152p/kg range.

Spot quotes were also at slightly lower levels with most between 145p – 150p/kg but, once again, not many spare non- contract pigs were available on the spot market flagging up more possible shortages ahead in the overall supply chain.

Although the Euro traded slightly at easier levels of 86.67p on Friday, compared with 87.27p the previous week, both cull sow export abattoirs stood on at similar levels with bids generally between 90p -94p/kg, also reflecting the "stand on" level of German pig prices this week.

The latest AHDB 30kg ex farm weaner average has dropped by £2.72/head to £53.93/head, but the 7kg average price headed north putting on 67p/head and now averages £38.59/head.

Spot weaners, however, remain extremely short and this sector remains very much a seller's market with only a sprinkling of spot weaners available to buy and empty pens still waiting to be filled, which will put more upward pressure on weaner prices despite recent increases in feed costs.

Ex farm feed wheat spot values took a jump with the weekly average price rising by around £6/t to £143.60/t, but it is still hard to find many sellers at this level.

This compares with the spot wheat average of £133.50/t 2 weeks ago and if this trend continues pig producers' margins will, once again, come under pressure.

UK grain futures prices also continue in a quietly bullish mode with January 2017 quoted at £147/t and July 2017 breaking through the £150/t barrier traded at £151.15/t.

UK protein prices have also hardened with 48% Brazilian soya meal traded ex Liverpool at £344/t and 34% rape meal ex Kent at £178/t.

As mentioned in recent Commentaries, "now is the time for all good men to spend time in the office on the phone talking to their grain broker".

And finally, further evidence of a shortage of UK pig availability has been confirmed by the latest reports that the December 2016 UK finished pig slaughtering levels were 8.4% lower than 12 months previously and production of pigmeat over the same period also reduced by 7.3% so, on the price, front UK producers may find that "less is more".

A sharp contrast to the situation this time last year when the SPP stood at 115.17p and sows were worth 55p/kg and 30kg weaners were changing hands at little more than £34/head.

What a difference a year makes!

27th January 2017

Another routine day on the pig trading front, which is normally the case as consumers recover from their post-Christmas financial hangovers and their credit card bills start to hit the door mat.

The latest SPP slipped 0.44p to stand 150.60p this week and some, but not all, weekly contribution prices also dropped in value by up to 2p/kg.

Although there were very few available pigs being offered to spot buyers, most had all they needed and this sector remained fairly quiet with a wide range of prices between 146p and 152p/kg, but those bids at the upper end were for “regulars” rather than to one off sellers.

The value of the Euro did nothing to help as far as the import/export balance is concerned, with the Euro trading on Friday worth 85.25p compared with 86.67p a week ago.

Continental pig values did, however, benefit from a 5 Euro Cent rise in German producer prices, although there are some reports that buyers were reluctant to operate at this level and would rather leave the pigs alone and something of a “Mexican standoff” has developed (as it has with a certain D Trump).

Cull sow prices remained generally firm despite the slight downward movement in the value of the Euro, with most culls traded in the 92p – 94p/kg bracket and the odd copper available in some cases for larger loads.

Weaner prices continue to defy gravity with the latest AHDB 30kg ex farm average rising by £1.52/head to £55.45/head, and the 7kg average price was also up by 0.55p/head and now stands at £39.17/head.

However, spot weaner prices remain significantly higher than most contract quotes due to the ongoing shortage of pigs in the system, with 7kg and 30kg Freedom Food standard spot weaners trading at premiums of £2 - £4/head above contract in some places.

As reported in last week's Commentary, grain prices are continuing their stealthy rise with UK March feed wheat futures traded at £148.30/t and July at £149.50/t dropping back to £136.50/t in November.

UK spot wheat is currently trading at around £142/t and on a price comparison basis UK wheat is now amongst the most expensive in the world according to recent reports but, as long as our pigmeat prices also remain near the top of the league table, we can probably survive this.

However, protein values are also continuing to head north with UK soya traded ex store in Liverpool at £354/t, up £10/t from the previous week, although commodity markets will continue to be ruled by currency fluctuations rather than straightforward supply and demand issues.

And finally, the Government is planning to publish a Green Paper covering the UK's proposed post-Brexit agricultural policy which should make interesting reading, particularly with regard to agreements on tariffs and trade barriers for imports and exports.

The NPA are continue to bang the drum on our behalf seeking assurances from the Government that they will make access to the single market a priority, because the risk that UK exports to the EU could otherwise become uncompetitive.

Although the UK pig industry is still benefitting from a relatively strong post-Brexit Euro, this may still be a case of short term gain, long term pain.....we shall see!

