

APRIL 2017 PIG COMMENTARY

7th April 2017

HERE COMES THE SUN (THE BEATLES)

Pig prices have continued their recent surge with the SPP up by 1.43p to 153.13p, weekly contribution prices are also tending to improve and spot pigs remain in very short supply and it is quite hard to sell an empty pen, but where there were a few spare pigs about prices were in the 160p/kg region and more in places.

This week saw another significant increase in German producer prices rising from 1.54 Euro to 1.79 Euro over the past six weeks underlining how short pigs are compared with last year's glut, which brought many producers to their knees.

Cull sow prices have also followed an upward track with another 2p/kg being added into most quotes with the result that culls are now trading in the 103p – 105p/kg range.

On the currency front, however, the Euro traded on Friday worth 85.54p, which is almost exactly its value a week earlier but, providing the Pound does not stage a *Lazarus* like recovery, hopefully a stronger Euro will continue to benefit the UK pig industry.

Weaner prices continue to defy gravity, but the latest AHDB averages have a lot of catching up to do before they can match spot quotes with the 7kg ex farm average now quoted at £39.77/head and the 30kg ex farm average at £58.12 / head, but the spot trade remains very much a "sellers' market" with far more buyers than sellers and empty finisher pens still waiting for their bed & breakfast guests.

On the glass half empty side however, grain values are continuing to creep up with ex farm UK spot wheat quoted at £146.20/t and futures quotes are firming in places with May feed wheat quoted at £147.50/t and July at £148.30/t, before dipping to £137.80/t after harvest in November.

UK protein prices have, however, eased with 48% soya meal traded ex-Liverpool at the end of March at £309/t and 34% rape meal ex-Kent at £189.t.

And finally, good news on the promotion front as AHDB Pork have pledged an extra £1 million for marketing British Pork as part of its 3 year strategy with "pork steaks" under the spotlight as a meal solution during the marketing campaign, which is designed to be run from September onwards.

And finally finally, for those interested in stakes of a different sort, it is the Grand National tomorrow and one of the runners named "More of That" would be a good advert for the current health of the pig industry!

13th April 2017

DEATH & TAXES...

More of a stand on feeling in the air as we approach the Easter bank holiday weekend, but demand remains firm from end to end, so no real worries on the price front as far as producers are concerned.

The SPP continues its relentless rise and put on a further 1.34p to stand at 154.47p, although most weekly contribution prices remained unchanged.

Once again, very few "spare" spot pigs were available, but where they were prices in the 158p – 160p/kg region were achieved.

EU mainland prices have also tended to hold at similar levels to last week with the influential German producer price remaining unchanged.

Cull sow prices were anywhere between a penny off and stand on, depending on load size, but the price reduction was more due to the Euro losing value with no fundamental changes in European pig prices with the Euro trading on Thursday afternoon worth 84.85p compared with 85.54p 6 days ago, representing a drop in value of almost 1%.

Most sow prices were therefore in the 102p – 104p/kg range, although as usual those with large loads were able to haggle an extra copper or two in places.

The weaner market continues to reflect the ongoing shortage of pigs in the system with the latest AHDB ex farm 30kg average rising to £59.08/ head and 7kg piglets within a whisker of £40 at £39.38/head, but spot prices are still well ahead of their contract counterparts in what can only be described as a “short” market with more buyers than sellers.

Grain prices have continued to edge upwards with feed wheat quoted on the LIFFE market for May delivery at £148.75/t and for November at £139/t.

And finally, there are only two certainties in life; death and taxes and now might be the time for some producers who are restoring their bank balances on the back of better pig prices to consider reinvestment, which is sorely needed in some units, or to replace elderly sows with gilts, especially in view of the much better balance between cull sow prices and gilt costs than previously.

But we are still far away from those days when one cull sow could buy a gilt with some spare change but, as the old saying goes, “you have got to give if you want to gather”.

It seems a pity to make the Exchequer a free gift when there are opportunities to reinvest and the industry would be better placed to resist future financial challenges which, no doubt, may have to be faced in the future, not to mention Brexit!

21st April 2017

MIND THE GAP

Prices continue their upward track, with the SPP putting on another 1.11p to stand at 155.58p, and reports of spot pigs being traded as high as 165p in some parts of the country are continuing to flag up an ongoing shortage of pigs thought the whole of Europe (of which we are currently still a member!)

Weekly contribution prices have remained anywhere between +1p and stand on, and German prices also remained at similar levels on the week.

The only red ink prices today were in the cull sow department and generally drifted back by 1p, more due to the rising pound following Teresa May's 8th June general election decision which caught many pundits unawares but could prove to be a shrewd move on her part... we shall see.

The euro traded on Friday worth 83.78p compared with 84.85p a week ago, with the result that cull sow quotes tended to be in the 100p – 104p range in the main.

Weaner prices continue to improve, with more buyers than sellers, although the latest AHDB 30kg average has actually fallen to £55.51 / head, but this is more of a quirk than a trend, with 7kg weaners averaging £39.81, but in all cases, significant premiums can be added to contract prices to arrive at equivalent spot values.

Futures prices on the LIFFE market are tending easier, linked to currency movements, with May feed wheat quoted at £146.25/t, November at £138/t and March 2018 at £141.80/t.

The latest AHDB ex-farm spot feed wheat price has firmed a touch to £144.70/t and UK protein prices included 48% Brazilian soyameal ex-Liverpool traded at £311/t and 34% rapemeal ex-Earith at £188/t.

And finally, the latest Farm Business Survey figures have indicated a wide gap between the best and the worst performing pig units in 2015/16, with farms in the top 25% performance category earning an average of £122,000 per annum compared with the worst performing units which lost almost £60,000 over the same period.

As mentioned in last week's commentary, now is the time for producers to reinvest in worn out facilities and to be ready to face whatever may lie ahead in our new post-Brexit life!

28th April 2017

UP, UP & AWAY... (FIFTH DIMENSION)

The SPP has continued on its remarkable 13 month rally, which has seen it climb from the depths of 112p in March 2016 to its current position of 156.16p, following a further rise of .58p earlier in the week and spot bacon traded between 160p and 165p in the main.

Abattoir weekly contribution prices have generally been anywhere between +1p and stand on and, although spot prices have remained strong with supplies very limited, a certain amount of resistance is creeping into the market which may, hopefully, only be a brief intermission in much the same way as some of us of a certain age have a short pause for breath on the landing before completing our trip to the bedroom...

With most of the major processors operating as normal despite the upcoming bank holiday, there were no signs of dreaded 'pig roll over' that often used to afflict holiday periods at times of low prices.

EU prices are continuing to reflect the Europe-wide shortage of pigs, with the influential German producer price up by a further 3 cents and now stands at 1.76 EUR, which in our money is the equivalent to 149p/kg and music to our ears compared with the situation 13 months ago.

A combination of rising German pigmeat prices as well as the slightly firmer Euro, which traded on Friday worth 84.47p compared with 83.78p 7 days earlier, helped to put another 2p into most cull sow bids which were traded within the 103p-105p range, but more could easily have been sold.

Weaner prices are continuing to soar, with the latest AHDB 30kg average up from £55.51 / head to £58.27 / head and 7kgs also moved ahead, rising from £38.81 / head to £40.81 / head.

The current shortage of pigs is fully reflected in the wide spread that has arisen between spot and contract weaner values, with reports of Red Tractor 30kg weaners now being traded at over £62 / head, in what remains very much a seller's market.

UK futures prices have closed at generally similar levels, with May wheat quoted at £148.35/t, November at £138/t and May 2018 at £142.80/t.

UK spot feed wheat traded on an ex-farm basis at slightly easier levels, averaging £142.40/t, down by £2.30/t on the week.

Global grain markets also weakened during the week due to better growing weather and higher yield expectations in the US and Canada, as well as improved maize planting conditions.

UK protein prices have also eased to the benefit of pig producers, with 48% soyameal ex-Liverpool slipping from £311/t to £298/t over the past 2 weeks, and 34% rapemeal is also reflecting easier trends, dropping from £188/t to £183/t.

UK pig slaughterings have continued to fall during March and were down 5% on the same month in 2016 following the contraction of the breeding herd during 2016.

And finally, 'small is not always beautiful', because it reduces the profile of the UK product in the whole pigmeat market and, according to recent reports, Asda and Tesco have significantly increased the volume of imported bacon and overall only 44% of bacon sold by the top 10 retailers was British compared with 50% twelve months earlier.

Hopefully, the current price rally will continue long enough to allow British producers to restock their units and invest in production facilities to meet the supply black hole which seems to be opening up but could easily be filled by imports with Brexit looming.

