

## JUNE 2017 PIG COMMENTARY

**2<sup>nd</sup> June 2017**

### **Higher Ground (Stevie Wonder)**

Pig prices continue on their upward track, with the SPP breaching the 160p barrier and now standing at 160.10p, the German producer price rising by 1 Euro Cent and spot quotes at either firm stand on or marginally higher levels too.

Most bacon factory weekly contribution prices stood on within the 159p – 164p/kg range and spot bacon was traded on the top side of 170p/kg with one or two prepared to haggle achieving prices in the 172p/kg region, according to spec.

A weakening in the value of the Pound saw the Euro trading at 87.58p and cull sow values remained firm in the 102p – 104p/kg region.

Weaner prices continue to scale dizzy heights with the latest AHDB 30kg ex farm average within a gnat's whisker of breaching the £60/head barrier now standing at £59.90/head and the 7kg average also continuing to rise with the latest average at £43.31/head and, as previously reported, spot weaner values are significantly higher than contract, but cast your mind back to this time last year when the June 30kg average was £39.34/head and the 7kg average was well below cost of production at £29.09/head.

Reports from the USDA of abnormal to moderately dry conditions in some spring wheat areas spooked the spring wheat market to some extent, but UK feed wheat futures have remained at generally similar levels with July trading at £140.55/t and November at £140/t.

The latest UK ex farm feed wheat spot average of £141.20/t showed a drop of £1/t over the last 7 days, but a number of potential buyers are biding their time until harvest begins before making firm commitments either way.

UK protein prices ended the week at similar levels with 48% Brazilian soya meal ex Liverpool trading at £291/t and 34% rape meal ex Erith in Kent a shade dearer at £177/t.

And finally, with the General Election on the horizon, it will be interesting to see how this pans out for Teresa and her pals, but another election that may be more relevant to pig producers are the 2018 NPA elections that are due to open on Monday 2<sup>nd</sup> October 2017 for those wishing to stand election to either the producer or allied industry group.

So, to those of you who tend to moan and groan about “nothing being done to help pig producers”, now is the chance to be involved at the sharp end, rather than as spectators, with all the policies and issues arising from Brexit to be unravelled, as well as trying to ensure that the British Pig Industry receives a fair hearing and is not just a sacrificial “lamb” (pardon the pun).

**9<sup>th</sup> June 2017**

Another positive day for sellers and, although prices are to some extent approaching a plateau for the time being, pig numbers remain tight and demand is firm.

The SPP has continued its upward track rising by a further 0.75p and now standing at 160.85p, although German producer prices have stood on and most weekly contribution prices have remained at similar levels, generally within the 159p – 164p/kg range.

Spot bacon prices are now more than 10p above the SPP with most traded in the 170p – 173p/kg region and plenty of takers.

After all the excitement of the General Election result (nil to the Conservatives), the currency markets went into a bit of a tizzy, but now seem to have settled down with the Euro worth 87.86p on Friday afternoon and marginally firmer than its value 7 days earlier of 87.58p.

However, cull sow demand improved by 1p – 2p/kg, depending on spec and load size, with most culls traded north of 102p/kg and demand is firm with both of the main cull sow exporters prepared to take more where numbers were available.

Weaner prices remain firm with the latest AHDB 30kg ex farm average rising above the £60/head mark to stand at £60.25/head and 7kg piglets virtually standing on at £43.29/head but, with spot buyers still out to fill all those empty pens, you can add up to £5/head to the averages in some cases for spot Freedom Food batches.

As far as feed costs are concerned, US wheat and maize futures eased back slightly with the exception of US spring wheat futures, which rose to their highest level since July 2015 and any sharp fluctuations in currency values the recent General Election results will also have a significant impact on the grain and protein markets.

Pig producers will have been pleased to see the latest AHDB spot feed wheat ex farm average slip to £139.30/t.

UK futures prices ended another quiet week with little change and July feed wheat was quoted on the LIFFE market at £141/t and January a touch dearer at £143.30/t with something of a spike approaching in May 2018 at £147.25/t.

Protein values saw 34% rape meal ex Kent trading at £176/t and US soya bean futures fell by £1.08/t to £267/t on the November futures market.

And finally, following on from the shock result of the latest UK General Election, it was amusing to hear the British Government being described as “well hung”...surely not all of them!

## **16<sup>th</sup> June 2017**

### **Let it Be (The Beatles)**

Another positive day for sellers and prices firmer than the current Government is looking at present, with the SPP rising by 0.85p to stand at 161.70p compared with 119.43p twelve months ago.

Most weekly announced contribution prices have remained at similar levels within the 159p – 164p/kg bracket and spot buyers were generally operating in the 170p/kg region, but numbers are still tight as most pigs are now sold under contract after the bruising producers received a year ago.

The only slightly negative note was cull sow prices easing by a penny in places, which we are told is due to currency movements earlier in the week, although German pig prices stood on however, at the time of preparing this report, on Friday afternoon the Euro was trading at 87.44p, which is exactly the same as it was worth a week ago and it is certainly looking a lot healthier than its value this time last year of 78.48p.

As a result, most cull sow bids were in the 102p – 105p/kg range, but numbers are still wanted with nothing being rolled.

Weaner prices appear to have paused for breath to some extent with the latest AHDB 30kg ex farm average a shade easier at £59.54/head, but 7kg weaner prices are starting to catch up averaging £43.86/head, with significant premiums available for one off spot loads, especially Freedom Food Farm Assured pigs.

The grain markets have ended another relatively uneventful week and continue to be dominated by currency fluctuations in the wake of the latest UK General Election results and on the basis that “markets hate change” it looks as though there could be more fluctuations in store in the weeks and months ahead with the combination or Brexit negotiations to be dealt with as well as a “well hung” Parliament!

UK ex farm feed wheat traded this week averaging £139.60/t, which is virtually unchanged, and futures markets saw some marginal increases with July feed wheat quoted at £141/t, November at £143.75/t and May 2018 firmer at £148.75/t.

UK protein prices saw 48% Brazilian soya meal marginally firmer at £297/t and 34% rape feed also dearer at £180/t.

And finally, the NPA have approached the new DEFRA Secretary, Michael Gove, who now finds himself in the rural sector after yet another game of musical chairs in the Cabinet, underlining the need to have what the NPA describe as “frictionless trade” with the EU following Brexit.

However, looking ahead, concerns still remain over the outcome of Brexit as far as the UK pig industry is concerned, which could be a case of short term gain and long term gain.....we shall see.

**23<sup>rd</sup> June 2017**

### **The Sun Has Got His Hat On (Bonzo Dog Doo Dah Band)**

The SPP continues to improve, rising by .21p to 161.91p; some weekly contribution prices stood on, with others up by a penny in places.

Spot bacon remains in extremely short supply with prices holding firm and most one-off spot bacon loads traded in the 170-173p region, but to some extent, the prices will depend on who blinks first!

A slight improvement in the value of the Euro, which traded on Friday afternoon worth 87.86p compared with 87.44p a week ago, helped cull prices to move up by a penny in places, but the German pig market is remaining at similar levels with their producer pig price standing on.

As a result, UK cull sow prices tended to be within a fairly narrow 102-105p band but more numbers are still wanted.

Weaner prices continue to reflect ongoing optimism as far as finished pig values in the autumn are concerned, with the latest AHDB 30kg ex-farm average rising by over £1 to £60.86/head and 7kg weaners also nudging up a touch to £43.96/head. One-off spot trades of full loads of weaners continue to earn a premium ahead of contract values with, in some cases, prices between £2 and £4 / head of contract being achieved.

As with finished pigs, however, the spot market is not for the faint hearted, especially looking back 18 months or so, and those renegotiating weaner contracts now should still not lose sight of the fact that minimum price contracts provide a valuable safety net when the next price tumble comes along (which it will one day).

UK ex-farm spot feed wheat prices have moved ahead, with the latest average reported at £141.50/t and UK wheat futures closed higher on the week, up £2.30 on the previous Friday.

On the LIFFE market, UK feed wheat traded firmer for July at £143/t, with January 2018 at £147.70 and March 2018 at £150.10/t.

This is partly due to hot, dry weather in Europe and US concerns over their spring wheat crops, which has pushed up futures prices and pig producers would be well advised to keep a close eye on the grain markets in the run up to harvest.

UK protein prices have, however, stayed at generally similar levels, with 48% Brazilian soyameal traded at £292/t and 34% rapemeal at £178/t.

And finally, spare a thought for outdoor sows in particular in this hot weather, and if possible, provide some shade and avoid putting too many on cull wagons because sometimes, ‘more = less’.

And finally, finally, for those of you looking to reinvest in your pig facilities and are needing to borrow some money, the advice is take out a loan from a pessimist as he won't expect to be repaid!

**30<sup>th</sup> June 2017**

### **RAINDROPS KEEP FALLING ON MY HEAD BJ THOMAS**

The latest SPP has continued to recover from the dark days of spring 2016 when it stood at a mere 112p and is now valued at 50p/kg more, which is worth up to £40 per bacon pig sold, but two wrongs don't

make a right, although UK pig prices now appear to be following the continental trend of levelling out but at a much more realistic and profitable level for producers.

Spot bacon supplies are rather like a Scottish jockey: tight and short, and where there were any significant numbers traded, they tended to be in the 170p-173p/kg range according to spec.

Weekly contribution prices also took an unexpected lift with one of the main operators increasing their price by 5p/kg to 170p/kg, but most tended to be between 160p-168p/kg.

Although the value of the Euro has remained virtually unchanged, trading on Friday afternoon worth 88.09p, unfortunately, cull sow prices took a klopfen (German for knock) coming back by 4p, mainly due to reduced demand across northern Europe as the holiday season approaches. As a result, UK cull sow quotes tended to be in or around 100p/kg according to load size although, fortunately, German pig prices did not follow the same route and stood on for the fourth week running.

Weaner prices remain firm, with the latest AHDB 30kg ex-farm average quoted at £60.25/head and the 7kg weaner average of £44.37/head, confirming that, in general terms, the gap between 7kg and 30kg weaners tends to be around £15/head, and if sellers were lucky enough to have spare spot weaners to sell, were able to obtain prices at £2-£4 above contract in many cases.

Cereal and feed prices have remained at generally similar levels, with UK spot wheat quoted on an ex-farm basis at £142.20/t. Futures prices ended the week on a slightly firmer note, with July feed wheat quoted on the LIFFE market at £143.40/t, November looking firmer at £148/t and March 2018 at £151.40/t.

UK protein prices eased a touch in the third week of June, with 48% Brazilian soyameal ex-Liverpool traded at £285/t and 34% rapemeal ex-Earith at £177/t.

However, straw values may become more of a talking point than cereals if present trends continue, with demand from energy plants outstripping supplies and talk of some straw going up in smoke at £55/t, which has certainly raised the bar as far as outdoor and Freedom Food pig producers' straw costs are concerned.

With the UK harvest only a few weeks away, markets have very much focused on this and what it will mean in terms of supply and demand, and initial reports are indicating the UK is heading for a good, but possibly not bumper harvest, depending of course on the weather which has recently been changeable to say the least.

And finally, on a cautionary note, high pig prices will do nothing to keep disease at bay and the spread of African Swine Fever has been underlined by the first outbreak in the Czech Republic, confirming the further spread of the virus in Eastern Europe.

Samples were found in wild boar and the same could happen here if feral pigs become yet more plentiful, coupled with signs that ASF continues to spread west, which puts us in the firing line.

