

By Peter Crichton

1st December 2017

“Don’t Bring me Down” (ELO)

Although the influential German producer price has remained at 1.45 EUR for the 6th week running, unfortunately UK producer prices continue to head south with the SPP losing .42p to 153.24p compared with the dizzy heights of 164.75p in early August.

Weekly contribution prices also took their cue from falling prices and dropped by between 1p and 3p/kg. The spot market was also not a place for the faint hearted with bids in the 140p region where space was available.

On a more positive note however, some fairly large numbers of slaughter pigs have been handled over the past two weeks and if the present spell of cold weather continues, this might help to stimulate human appetites for “meat and three veg” and slow pig growth rates down a little.

Despite European prices holding at similar levels, unfortunately a significant reduction in the value of the Euro which traded today were 98.11p compared with 89.03p seven days earlier, contrived to drop cull sow prices by yet another 1p, with most trading at 70-72p region, which means that the average cull sow is struggling to be worth more than £100 and it now takes at least 3 cull sows to buy two replacement gilts, but it would be false economy not to keep replacing worn out breeding sows just because the cull sow price is in the doldrums. As we all know, a poor quality unproductive sow eats just as much as a good one!

Although the latest AHDB weaner averages have held at similar levels with the 30kg average at £56.07/head and 7kg at £41.25/head, it is much harder to find spot buyers especially for Red Tractor rather than Freedom Food weaners, which appear to be left out in the cold for the time being but as advised last week, keep those weaner contracts in a safe place if you are a seller.

As far as feed prices are concerned, grain markets fell slightly last week with very little movement in UK and European futures but lower than anticipated US wheat export sales put a slight spike in the market which may feed through to futures prices in the weeks ahead. UK LIFFE feed wheat traded for January at £138.30/t with May quoted at £141.50/t. UK protein prices were up by around £10/t with 48% soya meal ex Liverpool traded in late November at £309/t and 34% rape meal was also firmer at £170/t.

And finally, with straw prices continuing to rise and reports of ex farm values in the West Country of around £85/t and East Anglia in the £65/t region, even though Guy Fawkes day is now behind us, producers should check their levels of fire insurance cover because on a delivered basis they could be looking at replacement costs of well over £100/t with reports from Ireland that straw is worth as much as wheat on a per tonne basis.

Another reason why Freedom Food producers all need the extra premium for their pigs.

PS - Apologies for those of you who may not have received recent pig commentaries from me due to a Temporary Information Technology (TIT) malfunction. Hopefully this is now cured but if not my commentary also appears on my website www.petercrichton.co.uk every Friday afternoon.

8th December 2017

“Do They Know It’s Christmas”…….? (Band Aid)

Not a great deal of Christmas spirit in the air as far as pig prices are concerned with the SPP continuing its downward drift, losing another 1.20p to stand at 152.04p which by coincidence is almost exactly the same as it was worth 12 months’ earlier.

Weekly contribution prices lost a copper in places and are mainly in the 143-145p range, and spot bacon also generally traded at similar levels to last week, around 140p/kg for one off loads but regular sellers were generally 2-4p ahead of this.

One slightly comforting note was that the influential German producer price has held at 1.45 EUR/kg for the 7th week running, but when converted to sterling works out at 126p which is still way below equivalent UK pig prices and helps to explain why there seems to be so much downward pressure on our pig meat values from cheaper imports.

Cull sow prices are also in retreat, mainly due to a much stronger £ following news that it looks as though the Brexit show is back on the road especially as far as the Irish border crossings are concerned but as a result cull sows lost around 2p/kg in value and are now struggling to hit the 70p mark compared with 93p/kg this time last year with the Euro trading at 87.6p on Friday afternoon compared with 88.1p 7 days ago.

The gap between spot and contract weaner prices continues to widen despite sharp falls in AHDB values which saw the latest 30kg ex farm average drop by £3.15/head to £52.92/head and 7kg values also eased by £1.09/head to £40.16/head.

However, with most contract weaner prices tied to the slow moving SPP, it will be some while before these fall to the levels of spot trades which are reported to be up to £10/head less than contract prices with space remaining limited.

Grain market prices ended another relatively quiet week with UK ex farm feed wheat traded on a spot basis at £135/t region and futures values on the LIFFE market saw January feed wheat trade at £138.05/t, March at £140.65/t and July at £143.80/t

Global grain markets showed very little movement with some small declines for UK and Chicago wheat futures but with no significant currency or crop news to report, the market continues to lack direction.

And finally more slightly worrying news for us to ponder over the Christmas break, with the latest report that the 4 largest global pork exporters, including Brazil, Canada, the US and the EU, have seen the average value of pork fall by 4% between July and September this year and this trend is more than highlighted by the recent collapse in cull sow values which can be seen as a rough and ready barometer of the fortunes or otherwise of the pig meat industry.

Added to this, the recent news that Russia has banned the import of Brazilian pig meat due to concerns over the presence of a muscle growth stimulant, Ractopamine.

This means that Brazilian pig meat could be looking for homes elsewhere and put further downward pressure on the market at a time when the Russian pork industry is looking to step up production and become more self-sufficient following on from the embargo against agri-food products which for political reasons was implemented way back in August 2014.

P.S. Hopefully our email TIT malfunction has now been remedied and this commentary has arrived OK but failing this it is also posted on our website www.petercrichon.co.uk

15th December 2017

“Blue Christmas” (Elvis Presley)

Nothing particularly good to report as far as pig prices are concerned. The SPP continues its downward drift losing another .62p to stand at 151.42p, most weekly contribution prices just holding on at last week's levels and the same applies as far as spot bacon is concerned although very few one off loads of pigs were looking for homes and with most going under contract such spot pigs that there were available tended to be in the 140p region.

Although the value of the Euro rose slightly, trading on Friday worth 88.14p compared with 87.6p last week this did nothing to help as far as a recent collapse in sow prices is concerned, with another 4p lopped off the price today (and a Happy Christmas to you to!) with most now traded in the 64-66p region compared with 93p a year ago..... ouch!

However, sow prices provide a valuable barometer of EU mainland pig meat prices and reflect the current German producer price of 1.40 EUR compared with 1.70 EUR in September which is equivalent to a valuation drop of 25p/kg or £21 for an 80kg dead weight pig.

Although falling finishing prices will normally contrive to push down weaner values, the latest AHDB averages actually rose last week, but this may be more of a quirk than a trend with the 30kg average quoted at £56.41/head and 7kg average at £40.50/head but this is turning into something of a buyers' market, with several lots of weaners still looking for homes.

Grain markets met downward pressure as far as global wheat prices are concerned due to higher than expected production estimates from Canada and the USA and oilseed values were also displaying some easier trends.

UK LIFFE feed wheat futures prices saw very little activity with January traded at £137.90/t, May at £141.75/t and for those of you who are still likely to be in business the year after next March 2019 is quoted at £145/t. UK protein prices saw 48% soya meal ex Liverpool valued at £317/t and 34% rape meal ex Kent at £166/t.

And finally hopefully the threat of African swine fever is at last being taken more seriously by the media as this virus creeps ever nearer to us and is only one step away from the massive German pig industry.

Recent exposure on the BBC Countryfile programme will help to spread the word but everyone in the pig industry needs to be aware of the need for greater care on the bio security front at a time when it is unlikely that compensation levels will be nowhere near the actual losses suffered or the damage to the reputation of UK pig meat.

22nd December 2017

“Back To December” (Taylor Swift)

Another “curates egg” (good in parts) year draws to a close with the SPP slipping again by .42p to stand at 151p which almost exactly matches its value at the start of the year of 151.8p.

Spot prices have however, taken something more of a hammering in what is described as “a very quiet” fresh meat market and what bids that there were for one off spot loads were in the 138p-140p region, although regular sellers could generally achieve premiums of 4-6p above this.

Weekly contribution prices generally stayed at similar levels in the 143p region but with plenty of pigs about and falling prices in mainland Europe, it looks as though supply will continue to exceed demand for the early part of 2018 but historically pig prices have often bottomed out and started to climb in March.....we shall see.

Meat traders are commenting on how difficult it is to compete with cheaper foreign imports and another 3 cent fall in the German price which started the year worth 1.62 EUR compared with its current value of 1.37 EUR, underlines the negative values seen across the global pig market in the last 6 months.

Looking on the bright side however, producers will lose less money in February because it is a shorter month!

Despite the value of the Euro improving from 88.14p a week ago to 88.6p on Friday at noon, unfortunately this did not add enough festive cheer for either the two major cull sow abattoirs to put their prices up, with bids in the 64-66p bracket compared with 90p plus a year ago meaning that the average sow is worth little more than £80 after deductions and it now takes at least two sows to replace the value of one maiden gilt.

A two-tier weaner price is emerging and although Freedom Food weaners sold on contract are still making respectable money, the latest AHDB 30kg average dropped by a significant £4.80/head to average £51.61 although the 7kg price has held at similar levels to average £40.62 but the old “fag packet” rule of 30kg weaners being worth £15 a head more than their 7kg counterparts seems to have gone out of the window for the time being. The spot weaner market is not for the faint hearted as far as Red Tractor pigs are concerned, with buyers remaining extremely cautious until they have worked out which way finisher prices are likely to move early next year.

Grain prices saw a slight weekly decline in global values and oilseed futures prices also eased following bearish news on the European rapeseed and US soya bean markets. UK spot feed wheat traded at an average of £135.80/t ex farm.

UK feed wheat futures also closed little changed with January quoted at £137.80/t, March £141.25/t and longer months such as November 2018 at £142.35/t. UK protein prices also ended the week little changed with 15th December 48% soya meal ex Liverpool little changed at £315/t and 34% rape meal ex Kent also static at £165/t.

And finally some better news on the retail front with reports that sales of pork loin medallions which have been advertised on prime TV had increased by 27% over the same period last year and according to analysts, total sales of all fresh pork rose by 3% in the 12 weeks up to early November.

Providing recent falls in finished pig prices level out and feed costs stay where they are, 2018 may not be quite as difficult a trading year as some were predicting, once the Christmas/New Year backlog of pigs has been cleared, trotters and fingers crossed.

‘A VERY HAPPY CHRISTMAS AND NEW YEAR TO YOU ALL’