

By Peter Crichton

6th July 2018

“The Sun is Burning” – Simon & Garfunkel

Prices have continued at generally similar levels although the SPP nudged up a modest .28p to stand at 150.31p and most weekly contribution prices have remained at similar levels.

Fresh meat buyers said they had had another slightly fickle (I think that's the word they used) week and although sausages are selling well, legs are harder to move with loins in modest demand and as a result spot bacon prices have generally been similar to the SPP.

Unfortunately however, although German pig prices have remained at similar levels, cull sow values have slipped yet again losing another 3p this week, which meant that most culls were traded in the 62-66p range and are still far too low.

The value of the Euro has remained virtually unmoved trading on Friday worth 88.55p compared with 88.67p a week ago, so no help from the merchant bankers once again.

Weaner demand continues to be affected by uncertainty over feed and straw prices as well as a general lack of space for any in the spot sector, with the latest AHDB 30kg weaner average unavailable but 7kg piglets have improved by .83p to average £38.08.

As previously Red Tractor piglets and weaners have been hard to place unless they are on contract and unless the situation changes this could be the position leading through into the autumn.

Although feed prices have to some extent levelled with the latest UK ex farm feed wheat average price holding firm at £160.50/t, this is £20/t more than feed wheat cost this time last year.

Worries throughout parts of Northern Europe and in the UK in particular over drought conditions are starting to prove correct, with spring and winter barley sorely in need of a drink (aren't we all!) and any rain that does come will probably be too late although there could be some benefit to help swell wheat ears, but the scorching sun has already done the damage.

UK protein prices have remained at generally similar levels with 48% soya meal ex Liverpool at £337/t and 34% rape meal ex Kent at £204/t.

The futures market saw London wheat traded at £157/t for July but rising sharply to £171.75/t for November so it looks as though pig producers margins will continue to be under pressure in the second half of the year.

And finally, concern is also being expressed over the expansion of the US pig population at a time when export markets are facing increasing uncertainty. According to recent statistics the overall US pig population is at its highest level since records began, and the latest “Chump” tariff battle with China may do nothing to help on this front, especially if any of the pork destined for China heads in this direction due to the additional 25% tariff.

13th July 2018

“There Are Bad Times Just Around The Corner?” – Noel Coward

A combination of indifferent demand, rising feed prices and increasing global pig meat supplies has cast something of a cloud over the pig meat horizon for the future of the year.

Although the latest SPP rose marginally by .16p to 150.47p and the influential German producer price stood on at 1.44 EUR, which is equivalent to around 126p in our money, demand for fresh and processed pig meat remains under pressure with sausages selling reasonably well but with larger joints slow to move during the hot weather.

Spot bacon buyers reported another quiet week with deals done at around the 148p mark and weekly contribution prices are also tending to ease back, dropping by a copper or two in places.

For comparison purposes, this time a year ago the SPP stood at 162.43p and spot bacon trades were in the 170p region.

Cull sow prices remain stuck in a rut with most bids at similar levels in the 63-66p range compared with 100p this time a year ago, although the Euro ended the week almost exactly where it started, worth 88.35p on Friday at noon and this further underlines the fragility of the European market which is reported to be suffering from extra supplies and reducing demand.

A widening gulf remains between contract and spot weaner prices with the latest AHDB 30kg ex farm average quoted at £54.14/head and 7kg average was also firmer at £39.54/head, but in both cases the majority of these prices relate to contract rather than spot deals where a much different climate exists, with spot Red Tractor 7kg and 30kg pigs still looking for homes at discounted prices, and at the same time finishers are no doubt worrying about the price of food and straw in the months ahead.

As far as food costs are concerned, UK soya moved up a touch with early July deals for 48% soya meal ex Liverpool at £339/t and 34% rape meal ex Erith at £211/t.

Spot UK ex farm feed wheat was reported to be trading above £160/t compared with £145/t a year ago, with London wheat futures trading at £167.55/t for November.

Reports from UK harvest fields are indicating that although some crops have stood up to the dry weather reasonably well there are those where yields have been hard hit, especially as far as spring barley crops are concerned, and once the wheat harvest is in full swing, further evidence will be seen in some regions of poor bushel weights and the unfortunate price consequences this may have for the domestic pig industry in the months ahead.

20th July 2018

“Hello Trouble” – Buck Owens

It's a pity that pig prices are not as hot as the weather and although the SPP managed to stand on at 150.47p, German prices continue to retreat with the latest influential producer price down by 3 euro cents to 1.41 EUR which is equivalent to 126p in our money and the only positive note was an improvement in the value of the Euro which traded today at a 10 month high worth 89.35p.

As expected the spot market has remained quiet with legs and loins still fairly hard to clear, but sausage meat remains a sizzling trade and spot bacon prices tended to be in the 145-150p region according to spec.

Weekly contribution prices have in the main stood on between 138-146p but still no signs of any improvement in demand for pig numbers.

As far as cull sow values are concerned, had it not been for the improvement in the value of the Euro these would have slipped further and in most cases cull sow export quotes were trimmed back by around 1p in the 63-66p range.

Still no real appetite for weaners with more sellers than buyers due to a lack of space and pre-occupation with straw carting and feed prices are still under pressure, with the latest AHDB 30kg weaner average quoted at £54.25 and the 7kg average at £39.33.

With feed costs in a bullish phase, finishers are thinking long and hard before making buying decisions.

Feed prices are also causing significant concern due to the extremely dry weather conditions across the UK and in parts of northern Europe as well as currency movements and the latest UK spot ex farm feed wheat average rising to £163.90.

UK protein prices are also edging ahead with 48% Brazilian soya meal traded ex Liverpool at £341/t and 34% rape meal ex Erith at £215/t.

November London grain futures prices are also continuing to harden with November 2018 feed wheat quoted at £171.50/t with more bulls than bears operating in this sector.

And finally, there seem to be more questions than answers as far as the future of the UK pig industry is concerned and reports that the first quarter of 2018 saw the highest ever recorded diagnostic rate of PRRS may well be flagging up a shortage of pigs in the system as the winter approaches, not to mention the confusion over Brexit, falling global meat prices and rising feed costs.

However, one positive note has been the report from a DEFRA commissioned review that has recommended radical changes on the way in which farms are inspected after we leave the EU and if this leads to a reduction in bureaucracy and the use of a single farm rating system rather than a whole host of assurance and other schemes in place, so much the better.....we shall see.

27th July 2018

“Take The Heat Off Me” – Boney M

Although the recent heatwave may be waving goodbye fairly soon, it has played havoc with pig producers throughout the country and also jacked up feed costs well ahead of producers' COP levels.

Although the latest SPP only eased by .13p to 150.34p, the general outlook paints a much bleaker picture than this.

Weekly contribution prices seem to be in retreat, easing in places, but very few extra pigs seem to be wanted by spot buyers and where they were prices, below 150p were the norm.

Looking ahead, UK pig numbers are likely to be hard hit by the effects of the heatwave on fertility and mortality but for the time being supply seems to be exceeding demand and further drops in pig prices in the weeks ahead may be on the cards.

The picture is much the same on a global basis with the influential German producer price easing by another 2 cents to stand at 1.39 EUR which is equivalent to 123p in our money.

However, with sky rocketing feed prices many producers are now operating at a loss and possibly wishing they had heeded earlier warnings to plan more forward buying of feed ingredients but as we all know hindsight is a wonderful thing!

Unfortunately the currency markets have not done our industry any favours with a stronger pound hitting cull values which have gone down by another penny and are now in the 60-64p bracket, with the Euro trading on Friday worth 88.08p compared with 89.35p a week earlier.

With straw prices on fire (in every sense of the word) pig finishing costs are set to soar and weaner prices are remaining under pressure and although the latest AHDB 30kg average of £55.39 moved up a touch, 7kg prices have continued to slip and now stand at £39.03, but most of this data relates to contract rather than spot weaner prices and it is difficult to find customers for Red Tractor one off loads of weaners.

Grain prices are heading north at an alarming rate with London wheat traded for November delivery at £184.55/t and report of barley being traded between February and July next year at £186/t. The writing seems to be on the wall as far as compound prices are concerned with dry sow rations forecast to be costing around £225/t in the months ahead and lactating sow rations up £250/t.

Farm to farm trades of feed wheat between July and November have been in the £172.50-£180/t range mainly due to the dry growing conditions in the northern hemisphere.

UK grain futures prices are now at their highest level since 2013, and it is just a pity the same cannot be said of pig prices! UK protein prices are also continuing to rise with 48% soya ex Liverpool traded in late July at £343/t although rape seed values have fallen back a touch to £208/t.

And finally, looking ahead on a glass half full/half empty basis, because of the recent hot weather there is no doubt that UK pig numbers will suffer in the autumn and winter from infertility, high mortality and everything else that goes with too much heat. This might possibly help to lift prices to some extent, but the reverse also applies which is that producers incomes will be hit by having fewer pigs to sell at a time when every penny is needed with global pig prices being under tremendous pressure, and especially with reports that the US has over 1m tonnes of beef and pork in cold store and this pattern has been repeated in other parts of the world with supply outstripping demand.

