

By Peter Crichton

7th December 2018

“Fever” – Elvis Presley

Demand remains rather like the weathermiserable. Probably the only slightly positive note is that the influential German producer price has stood on for the 9th week running at 1.36 EUR which in sterling terms is a depressing 121p although unfortunately the SPP continues on its downward track, losing another .23p this week to stand at 143.29p.

The spot market is not for the faint hearted with very little space available and reports of some quotes at less than 130p in places which compares with 145p a year ago but with poor fresh meat demand there are very few takers for extra spot pigs and contract numbers are also being held in check.

Weekly contribution prices are also under pressure and were generally in the 129-134p range which is around 11p less than the SPP.

Cull sow prices have remained at similar bargain basement levels with quotes in the 62-64p range and no help on the currency front with the Euro trading at 89.24p on Friday which is little changed from its value a week ago.

With Christmas just around the corner cull sow space will soon become scarce until the holiday break is over but there are no real signs of any recovery in cull sow prices until the New Year is well behind us.

The latest weaner prices also make depressing reading with the AHDB 30kg average quoted for the first time for four weeks at £43.50/head compared with £47.54 in late October. The latest 7kg AHDB average is also on the wane quoted at £36.50 which is a drop of £1.66 on the week.

Finisher space is at a premium and this has developed into very much a buyer's market with talk of 30kg spot weaners traded as low as £30 in places.

Reports of an upturn in finished pig prices would work wonders as far as weaner values are concerned, but currently there are few signs of this on the horizon, although there could be a shortage of UK pig availability in 6-8 weeks' time following on from summer infertility and disease problemswe shall see.

On the feed price front, 48% soya traded ex Liverpool saw little change at £321/t and 34% rape meal ex Kent has also held at similar levels in the £211/t region.

The futures market ended another relatively quiet week with London feed wheat quoted at £171.10 for January and a £177.70 for July but longer months saw November 2019 traded at £159.65. This trend is reflected by global grain markets where grain prices moved sideways last week followed by slight rises in US markets due to the possible prospects of a settlement of the tariff dispute with China.

And finally, more worries on the African Swine Fever front with latest reports indicating that 21 Chinese provinces have reported outbreaks, with a major 10,000 pig farm recently being slaughtered out in the Beijing area, and concerns remain as far as the Belgian ASF outbreak which is much closer to home and could cause untold havoc to our pig industry which is already under financial pressure. DEFRA are aware of the problem and have recently been publishing more advice on how to identify and report any ASF outbreaks which may arise including fever, loss of appetite, lack of energy and sudden death and some of us may feel like that at present!

14th December 2018

“I’m Sorry I Haven’t a Clue” (Humphrey Lyttleton RIP)

With all the indecision, chaos and confusion about Brexit on the front pages, most of the population do not seem to know whether they are on foot or on horseback and the same applies to members of the Government and opposition.

Markets do not like unsettled times and a combination of poor demand for pigs as well as some significant fluctuations on the currency markets have made pig trading even more of an art than a science in the last few weeks.

The SPP continues its downward track losing another .73p to stand at 142.56p although the influential German producer price has managed to hang on at similar levels for 9 weeks now and remains at 1.36 EUR which is equivalent to a very low 122p in our money, and explains why EU pig meat imports are undercutting the UK market to a significant degree.

However, it is not a case of too many pigs but poor demand which is the underlying problem.

Weekly contribution prices have remained at generally similar levels within the 129-134p range but are still lagging well behind the SPP. Spot trade remains highly selective with very little going on and prices within a fairly wide range, with one off loads struggling to get much more than 130p or more but regular sellers generally achieving prices of between 138-143p.

Cull sow prices are also following the European stand on trend with quotes in the 60-64p range according to load size and despite the improvement in the value of the Euro which traded at 89.88p on Friday compared with 89.24p a week ago, this was not enough of an encouragement to persuade UK cull export sow buyers to put any more money on the table.

The weaner market remains in negative territory with the latest AHDB 30kg average down again to £43.24/head and the 7kg average also significantly lower at £33.97/head.

With very few spot transactions to report, weaners in the Red Tractor category remains very much a buyers' market and painful for sellers and no signs that this trend is likely to improve until finished demand picks up and at the same time we might see something of a black hole in pig numbers coming forward due to last summer's infertility problems.

Grain prices continue to be influenced by fluctuating currency values and futures prices have closed up by around £1.50/tonne a week, with London feed wheat for January quoted at £174.65/t, May at £179.35/t and July at £181.06/t. UK protein prices saw 48% Brazilian soya meal improve in value to £324/t although 34% rape meal eased back a touch from £211/t to £208/t.

On a more positive note, there may possibly be a small silver lining in the current COP cloud with reports that new crop EU wheat production could hit a 4 year high in the 2019/2020 period although changes of currency values could have a much greater effect on the cereal market as a whole.

And finally, reports of a recent swine dysentery outbreak in the Eastern Counties are another timely reminder of the potentially disastrous effect exotic diseases including African Swine Fever can have upon the viability of the whole UK pig industry and yet another reason why biosecurity measures need to be given top priority, with the three basic principles for successful pig farming being identified as "health, health and health". Nasty bugs seem to thrive during periods of cold damp weather and yet another reason why producers need to be super vigilant on the biosecurity front.

21st December 2018

"Climb Every Mountain" – Sound of Music

As another challenging year draws to a close pig prices are still under pressure with the latest SPP dropping by .36p to 142.21p compared with 149.78p at the start of the year.

The influential German market has however remained at stand on levels for 10 successive weeks at 1.36 EUR which is equivalent to 122p in our money but still undercuts the UK market to a significant extent.

Weekly contribution prices have in the main stayed at similar levels between 129.5p and 134p and although some pigs have been rolled, thankfully fewer than originally feared, finding homes of one sort or another.

The spot market remains extremely quiet with the majority of pigs being sold on contract with reports of one off spot prices in the 130p-135p range but regular spot sellers were able to earn a few coppers more than this.

Unfortunately the cull sow market had a sting in the tail dropping by 4p and worth between 56p-60p due to indifferent European demand despite the Euro improving in value and trading on Friday worth 90.16p compared with 89.88p a week ago but the European cull sow market appears to be suffering from excess numbers which might signal cutbacks in finished pig production later on in the New Year.....we shall see.

The AHDB 30kg and 7kg weaner prices both posted modest gains with the 7kg average up by £1.27p per pig to £35.24 and the 30kg average also slightly firmer up by .37p to £43.61p making 30kg pigs look a bargain as it costs far more than £8 per head to take a pig from 7kg to 30kg!

Grain prices are still too expensive in relation to finished pig returns with UK ex farm spot feed wheat trading at an eye watering £171.2/t and on the futures market London feed wheat traded for January at £173.85/t and May at £178.90/t. UK soya meal prices have however eased with 48% Brazilian soya traded at £317/t compared with £324/t earlier in the month although 34% rape meal is marginally dearer moving up by £2/t to £210/t.

Reports of a slowdown in Russian wheat exports may also put a spanner in the works coupled with forecasts that 2018/19 total exports will be below the 2017/18 levels so perhaps more bulls rather than bears will appear in this sector in the months ahead?

And finally, latest press reports are indicating the possibility of a Brexit "no deal" scenario and concerns over the effect that this is likely to have on the UK pig industry where pig meat trading is almost entirely confined within the EU.

This will mean finding new tariff free markets, many of which will be more remote than mainland Europe and will need to compete with lower welfare, cheaper product from the US, Canada, South America to name but three potential competitors.

This could be a tall order but now might perhaps be the time to start looking at global pig meat trading options before the end of March 2019, although this could prove to be a steep and expensive hill to climb.

28th December 2018

“Pigs on the Wing” – Pink Floyd

As a disappointing pig production year draws to a close, time for a quick look back at 2018 as well as a nervous glance as to what might lie ahead next year!

The latest SPP stands at 142.2p compared with 150.4p at the start of the year.

Weekly contribution prices announced today have remained at generally similar levels to the week before although one operator took a penny out, but most have stood on within the 129.5p-134p range compared with 140p-142p twelve months earlier.

Spot bacon trades are virtually non-existent with very little demand as most pigs were sold on contract, but for those sellers looking for homes for surplus bacon pigs, it was a case of “no room at the inn” with prices in the 130p region being mentioned.

As far as the sow market is concerned, today was very much a case of “could do better” in school report terms with most traded in the 56p-60p range compared with 67p a year ago, despite the Euro trading at 90.44p today compared with 88.88p in January 2018. Cull sow prices are continuing to face downward pressure in Europe with larger numbers coming forward for slaughter, and European pig prices normally go through a difficult period during the first two/three months of the year so more of the same is to be expected in the weeks ahead.

Weaner prices have stabilised slightly but still make a poor comparison with their values a year ago, with the latest AHDB 30kg average at £43.61 compared with £50.90 twelve months earlier and the 7kg price of £35.24 is also well adrift of their value at the start of the year of £40.36, so weaner producers are getting £7.30 less for their pigs over the twelve month period and 7kg producer prices are down by £5.12. Despite these lower prices, finishers are still being very fickle about buying decisions and Red Tractor pigs remain very hard to place at anything other than bargain basement “January Sale” levels.

The only actual price increase in this report relates to the cost of feed which is another kick in the gonads for an industry which is already under significant price pressure and UK feed wheat is reported to be trading at £171.20 ex farm which represents an increase of £35.40 per tonne over the year for hard pressed pig farmers.

Futures prices remain firm with January London feed wheat quoted at £173.80/t and May at £178.85/t.

Protein prices have also held at generally similar levels with 48% soya meal traded in mid-December at £317/t and 34% rape meal at £210/t.

Reports that China have purchased more soyabeans from the US has also nudged soya bean future prices higher despite existing tariffs remaining in place. Based upon recent reports global futures prices for cereals and soya appear to be firm and are pointing to further potential increases in feed costs across the board next year.

And finally, as we look ahead to the New Year which is just around the corner, there are unfortunately more reasons to be sad than cheerful with pig prices under pressure and feed costs rising, not to mention the disruption to the pig meat market which is likely to emerge if we end up with a Brexit “no deal” which seems to be on the cards at present. The UK Brexit situation was summed up by one commentator as “rather like jumping out of an aircraft with no parachute!”

However, looking on the plus side, China is now the largest single export destination for UK pig meat taking around 20% of our exports and if we can only keep clear of African Swine Fever, opportunities may exist to step up volumes being sent through the bamboo curtain in 2019 which is the Year of the Pig and will hopefully not turn out to be a pig of a year!

