

By Peter Crichton

3rd January 2020

“What’s Going On?” – Marvin Gaye

Not a particularly auspicious start to the year with some puzzlement as to why the latest SPP has actually slipped by .45p to 162.44p for the week ending 28th December, because judging from price reports nobody seems to remember taking less money for any pigs during the reference period!

Domestic demand for pig meat is continuing to be patchy which is a worry, although January is a notoriously difficult time for pig sellers, with something of a backlog of food still in the Christmas larder as well as credit cards, like many high street shoppers, almost completely worn out and exhausted.

European prices have generally remained at similar levels, with the influential German producer price quoted unchanged at 1.95 EUR which translates to 166p in real money.

Weekly contribution prices are also generally static within the 155-163p range and not much enthusiasm for extra numbers which has pushed a few more pigs on to the spot market, which has also drifted slightly with spot trades in the 160-163p bracket.

The European cull sow processing industry is now cranking up for the new year and prices are reported to be holding at similar levels, mainly trading in the 113-117p range, with larger numbers coming forwards after two quiet weeks but this is certainly better than their value a year ago, which stood at little more than 60p/kg.

On the currency exchanges, the Euro has held at very similar levels, trading on Friday at 85.21p and any further reduction in the strength of the pound would benefit UK pig meat importers and exporters.

Weaner values have generally improved with the latest AHDB 7kg ex-farm average up by just over a quid to £42.50/head but still no average value quoted for 30kg weaners which have mainly traded in the £57-£60 region according to numbers and whether they are RSPCA Assured or Red Tractor.

Feed prices are continuing their stealthy rally, with UK spot ex-farm feed wheat quoted at £143/t and on the futures market feed wheat is quoted at £156/t for February and £165/t for September.

Forward feed barley deals have been agreed at £134/t for February and £140/t for September.

Protein levels are holding firm with Hipro soya quoted for February-April at £295/t and longer months at £301/t for November-April 2020/21. As previously advised, producers should keep a close eye on currency and grain markets with reports of Chicago wheat closing firmer following reports of some reductions in global availability, including dry weather conditions in Russia and the nightmare Australian fire storms causing havoc.

Chinese and other neighbouring Asian countries continue to suffer from the ASF epidemic which has knocked a huge hole in supplies in the Southern hemisphere and remains a worry for those of us in the North too. Signs are emerging that without the benefit of soaring global pig meat prices, the UK pig profitability could be on the floor, or beneath it!

Indonesia alone has confirmed around 400 cases of ASF and reports indicate that these are likely to continue to spread, especially where there are backyard pigs which is often the case in many Asian countries, making the control and eradication of the ASF scourge extremely difficult and a long-term operation.

On the basis that every cloud has a silver lining however, October UK pig exports continue to rise to a record high of 25.100 tonnes in October, at a time when fewer imports are heading this way due to other lucrative markets in other parts of the globe due to the Chinese situation.

And finally, UK producers continue to be puzzled and concerned over the inability of the SPP and weekly contribution prices to follow the upward price patterns in many other parts of Europe and a glass ceiling seems to be in place, with reports of pig prices in Eire being well ahead of those in the UK. In the words of a certain politician “something should be done”. We shall see.

10th January 2020

“Helter Skelter” – The Beatles

A typical early January trading week is now over, but with more of the same to come next week, with domestic red meat demand still under pressure, this has seen pigs rolled into next week when hopefully some of the Christmas “bulge” may have disappeared.

Although the SPP has remained virtually unmoved easing by .01p to stand at 162.43p, European prices have seen much sharper drops, with reports of the influential German pig price sliding by 9 cents and is now quoted at 1.86 EUR which is equivalent to 1.58p/kg in our money and for the first time for a while, lower than the SPP.

UK spot bacon prices have also taken a tumble falling by around 6p/kg, with most traded in the 154-157p range, but until we see something of a lift in retail pig meat volumes, spot and UK prices may continue to drift.

As far as weekly contribution prices are concerned, these are forecast to be generally holding at similar levels in the 155-163p bracket.

Cull sow quotes have also reflected lower EU prices with UK cull sow exporters looking to take 6p off their bids, with the result that most UK culls were traded in the 104-111p range. With the build-up of numbers over the Christmas/New Year period adequate supplies were available, but unfortunately a fall of 6p/kg, works out at around £9 per head which is a fairly big drop to bear.

The weaner market continues to suffer from lack of finishing space with the latest AHDB 7kg average quoted at £43.01. The weekly AHDB 30kg average price has now been re-established and is quoted at £61.31.

Feed prices are holding at similar levels on the week with UK feed wheat quoted on the futures market at £157/t for February and £164/t for September.

Barley continues to trade at a discount, with February quoted £133/t and September £139/t.

UK spot feed barley values have been averaging £144.20/t and proteins are holding at similar levels to a week ago, with Hipro soya meal traded for February-April at £298/t and longer months saw November-April '21 worth £300/t.

And finally, as anticipated, there is still a long way to go in connection with untangling Brexit arrangements, especially as far as challenges from lower standard pig meat imports are concerned.

Although British farmers are world leaders in terms of animal welfare standards and environmental protection, producers need to be protected from lower welfare pig meat hitting the domestic market especially at a time when all red meat prices are under pressure.

Recent reports are suggesting that some form of nationwide specification minimum impact standard is called for on the basis that "money talks" but these could easily be overwhelmed by cheaper lower welfare imports especially from Canada and the US and Brazil.

One of the benefits of EU membership was that universal welfare standards were imposed across the whole of Europe but this is unlikely to apply if the US in particular cease meeting current EU restrictions and despite the current benefit of higher pig meat prices in China and much of the Far East this could be a case of more sour than sweet as far as our pig industry is concerned.

17th January 2020

"The Road Ahead" – Chris Rea

EU pig prices are still in retreat following much better demand in the last quarter of 2019 but since then domestic demand has remained difficult, with more pigs coming forwards at higher weights coinciding with credit card bills popping through the letter box, not to mention more newspaper reports on the apparent popularity of non-meat protein foods which seem to have caught the public's imagination and the manufacturers beady eyes.

Although the SPP only eased by a shade, dropping by .03 to stand at 162.5p, the picture in Europe is much more gloomy and in Germany more pain on the price front when following on from last week's 9 cent price reduction, a further 4 cents have been chopped off, which works out at an overall price reduction of around £9 per head in our money, with the German price now quoted at £1.82 EUR.

Weekly contribution prices have however generally remained stable at around 155p-163p.

As far as spot bacon prices are concerned, it has been a "don't ring us we'll ring you" day with most phones staying silent. Regular spot sellers were in some cases able to stand on, but others had eased back by between 2-4p with most spot quotes in and around 154p.

Cull sow slaughtering levels are now back to normal after the recent holiday period and despite lower EU wide pig meat prices, demand for sows in the UK was relatively firm and for this reason prices were only trimmed by around 2p, with most cull trades in a fairly wide range, between 108-113p/kg. An improvement in the value of the Euro, which traded today worth 85.22p compared with 84.87p a week ago, restricted most price falls in this sector to just a few pence.

The weaner market seems to have lost its way to some extent, with the latest AHDB 7kg average quoted down £1.75 and now stands at £41.26, but still no quotation for 30kg weaners from the AHDB due to “insufficient sample” but reports are indicating that 30kg weaners are changing hands (or trotters) in the £57-£60 range for RSPCA Assured and their Red Tractor counterparts are generally between £3 and £5 below this.

Pig finishers are however, keeping a wary eye on slightly easier finished pig values and the stealthy rise of cereal prices.

On the feed front, UK spot trades for feed wheat on an ex-farm basis have averaged £148.80/t compared with end of August values of £121/t and if this trend continues, COP levels will continue to rise, nibbling away at producers' margins.

Futures markets are also reflecting rising prices, with the latest February '20 trades for feed wheat at £160/t and for September '20 an increase to £168/t.

Feed barley continues to trade at a discount of around £25/t on a like for like basis, but Hipro soya meal futures prices are slightly easier with February-April quoted at £297/t and May-October at £291/t.

And finally, the NPA have reacted generally favourably to the new Agriculture Bill which will provide a route for domestic agriculture once England has left the EU.

The emphasis will be on those farmers who will receive payments for better air and water quality, higher animal welfare standards, improve their access to the countryside and measures to persuade water to go uphill (reduce flooding) which might be slightly harder to achieve.

Soil quality will also be under the microscope and the scheme will form part of what is known as the ELM (Environment Land Management).

What is still needed however are reassurances from the Government to ensure that pig meat imports do not start coming this way under WTO rules with lower standards of welfare and antibiotic use than our own.

This also comes at a time when prices and demand for all red meat is being affected by media publicity and the launch of “non-meat” foods which pose a significant challenge to the whole of the pig industry at a time when climate change is very much in the public eye. There are however, some significant “mountains” to be climbed in the post-Brexit years ahead especially if the UK no longer has access to the 500m potential customers across the narrow strip of channel in the EU.

24th January 2020

“Money Talks” – AC/DC

Very much a case of “as you were” as far as pig prices are concerned with the SPP virtually unchanged at 162.31p and the influential German producer price also standing on at 1.82 EUR, equivalent to 153.4p in real money.

Weekly contribution prices have generally remained at similar levels, at a fairly wide range of between a rather miserly 155p and a slightly more generous 163p, but the whole contribution price system is under the microscope and in school report terms “could do better”.

After a period in which contribution prices have been lagging behind equivalent spot and contract quotes, hopefully as they were slow to go up, they will also be slow to come down.....we shall see.

Spot bacon prices have held at similar levels with most between 156p-160p and although some batches of contract pigs have been rolled, the supply and demand equation is more or less in balance at a time of year when pig prices can often hit a brick wall and at least we have February to look forward to when any financial losses are likely to be reduced because it is a shorter month!

Cull sow prices have eased by around 1p, mainly due to a fall in the value of the Euro which is now trading at 84.3p compared with 85.22p a week ago and most cull quotes have been in the 104p-110p range according to load size.

Weaner values have improved. with the latest AHDB 7kg ex-farm average rising in value by £1.23/pig to £42.49/pig.

Still no AHDB average for 30kg pigs due to an insufficient sample, but most are reported to be trading in the £55-£58 region.

Futures grain and protein prices are continuing to move ahead in the commodity markets, with the latest feed wheat February '20 price quoted at £161/t and September '20 at £170/t.

Barley deals have been agreed at £135/t for February '20 and £145.20 for September '20.

Hipro soya prices are holding virtually unchanged, with February-April '20 traded at £302/t and November-April '21 at £301.80.

And finally, there have recently been significant concern amongst leading producers over the wide gap which has opened up between weekly contribution prices and current pig meat values where in some cases, contribution prices have been as much as 8p adrift when compared with other contract and spot quotes, although the gap now appears to be narrowing.

For those of you with longer memories, contribution prices took over from the unpopular shout prices and were designed to include a “market price” flexible element in the overall SPP matrix-based contract pricing systems used by contract abattoirs.

Although most producers will require a pig price which delivers “as much as possible” the problem is designing a system with a flexible but fair pricing methodology that sits happily with buyers and sellers and various options are now under consideration. Any “printable” suggestions should be forwarded to the AHDB.

31st January 2020

“We’ve Only Just Begun” – The Carpenters

On the day when the UK leaves the membership of the EU pig prices have generally held firm and we are now in the withdrawal period, during which a whole host of trade and other deals have to be considered and agreed before a clearer picture emerges about pig trading patterns and tariffs in the future.

The latest SPP has risen by .23p to stand at 162.54p and the influential German producer price is also heading north, up by 3 cents to 1.85 EUR, which is equivalent to 155p in our money.

Weekly contribution prices have in the main held at last week’s levels, with most between 155p at the bottom end and 163p at the top. There was a little more activity on the spot market with deals struck in the 160-162p area, but according to trade sources, these relatively firm prices have been generated by a slight shortage of live pigs rather than an improvement in domestic demand, which still remains selective.

Cull sow prices have also improved marginally by around 2p, but there was a slight weakening in the value of the Euro which traded on Friday worth 84.02p, compared with 84.31p a week ago. If the pound continues to strengthen this could chip away at UK cull sow values to some extent, but demand is reasonably firm, with most traded between 108-113p and hopefully will stay that way.

Weaner prices have also continued to reflect a little more optimism in connection with finished pig values in the months ahead, with the latest AHDB 7kg farm average quoted at £42/head and 30kg weaners generally trading in the £57-£60 region.

Feed prices are however continuing to nudge up, with UK ex-farm spot feed wheat trading in the £148 region. Futures prices are also continuing to reflect relatively firm prices, with UK feed wheat quoted at £157/t for March and £166/t for September. Barley is trading at a £20-£22/t discount at £135/t for March and £141/t for September.

Soya prices remain largely static with Hipro soya values at £305/t for March, £294/t for June-October and £301/t for November-April '21.

And finally, once the implications of Brexit have sunk in and all the new trade terms and tariffs clarified, the pig industry will have a better idea of whether this is the dawn of a new era or a major error!

The recent publication of the Agriculture Bill has, according to the NPA, “much room for improvement”.

Although provision for financial assistance to protect and improve the health and welfare of livestock forms part of the Bill, details are far from explicit and more information is needed about the implications of the Government’s plans to improve food security within the scope of the Bill at a 2-year, rather than a proposed 5-year, basis.

The main concern of the pig industry remains the threat of cost cutting pig meat imports from other countries which are produced to lower standards than those in the UK.

Producers are hoping that they will not be bankrolling a “cheap food” policy in the years ahead.