



The Outlook for the UK Pig Meat Market

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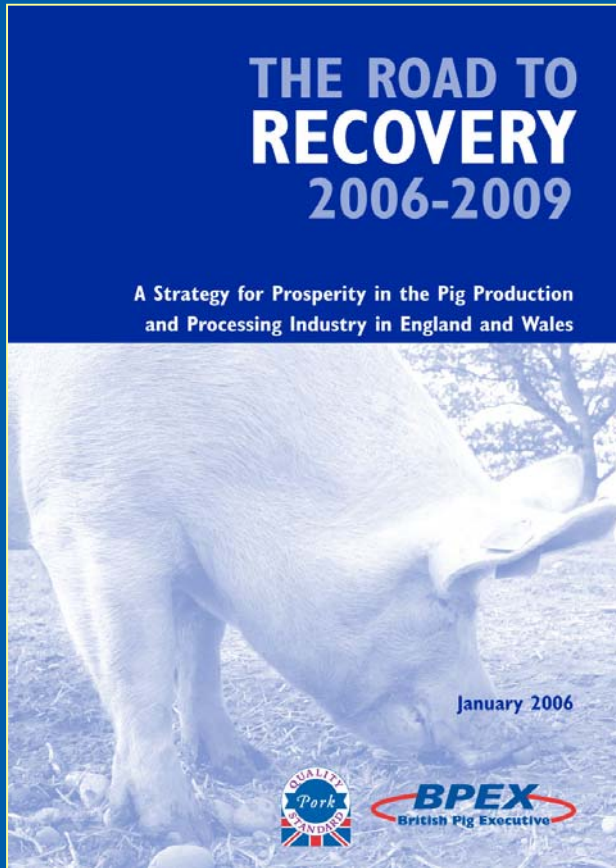
Items to cover

- About BPEX
- Global trends
- The UK market for pork and pork products
- Challenges facing producers and processors
- Fighting our corner



Role of BPEX

- A leader, catalyst for change, a knowledge house and communicator to and on behalf of the industry.
- Yields a better return for levy payers than they can otherwise achieve individually
- Maximum use of co-funding



The BPEX Ltd Board

- Stewart Houston -
Chairman
- Producers
 - Jon Easey
 - John Godfrey
 - Richard Longthorp
 - John Rowbottom
 - Mike Sheldon
 - Meryl Ward
- Processors
 - Adam Couch
 - Steve Crossley
 - John Hughes
- Independent
 - Clive Francis
- Mick Sloyan
 - Andrew Knowles
 - Marian Robertson



Global trends

- World demand for pork increasing driven by population growth and income growth
- China will play a key role. Half the worlds consumption and production. Looking to modernise.....and quickly. Do they have the resources?
- World trade growing but most trade is satisfied through inter-regional trade
- US major winner due to exchange rate. Brazil to recover. Other countries such as Chile are interesting
- Canada major loser along with Mexico
- EU remains protected for several years but world trade will impact indirectly



UK Market

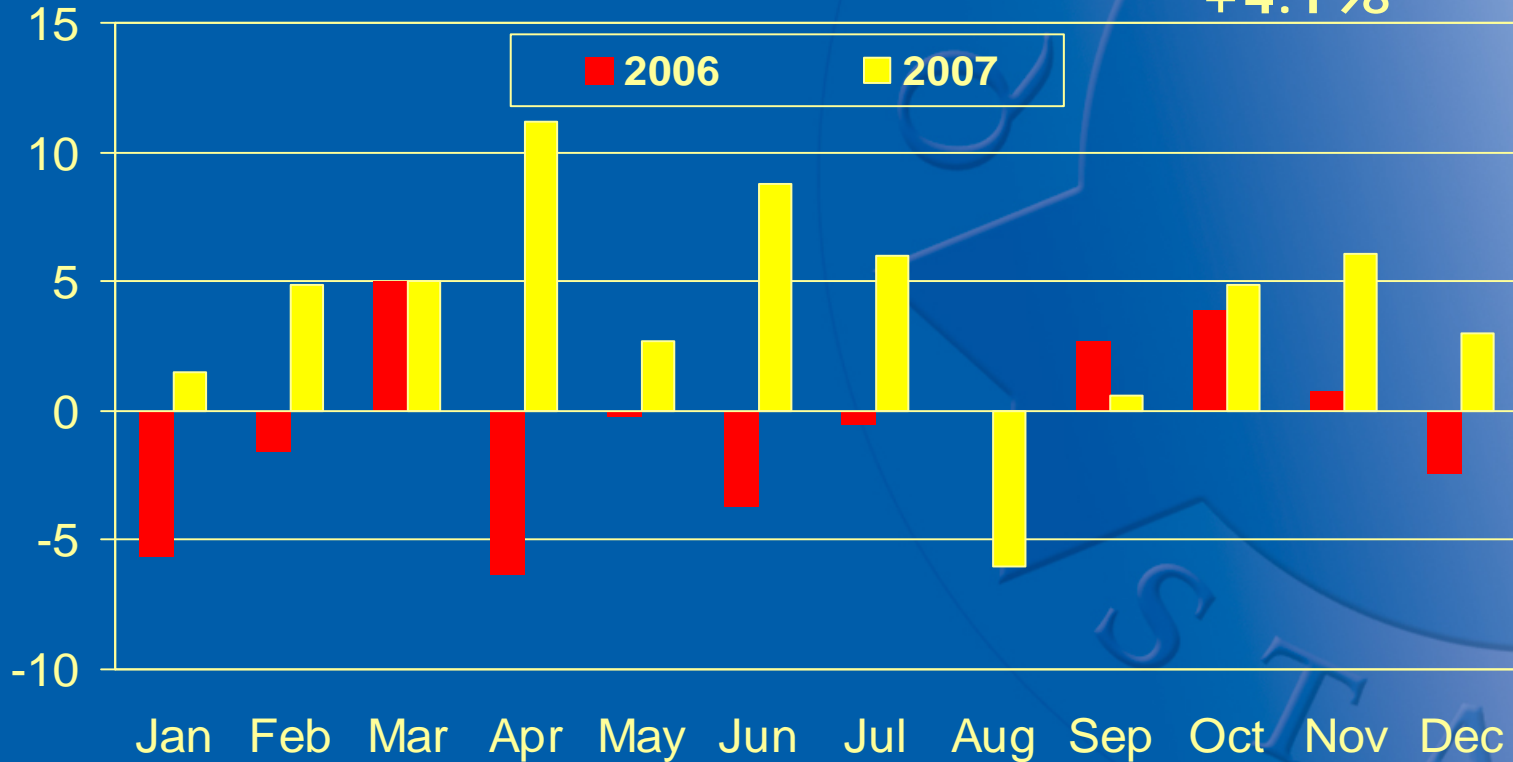
- Overall consumption is stable at about 22 kg/person/year
- In the last year retail pork sales have been strong. TNS data for the 52 weeks to 30 Dec shows volume (and value) at +6.2% (+8.7%); bacon +1.7% (+4.1%); ham +2.1%(4.1%); sausage 0% (+7.0%)
- There has been a greater use and growth of British in premium lines although this remains a minority of the market
- Supermarkets dominate with over 80% market share



Clean pig slaughtering up in 2007

% change

Jan-Dec 2007
+4.1%



Source: Defra



Estimated sow productivity trends continue to recover

pigs slaughtered per sow per year



Average carcass weights up from FMD and Xmas roll over



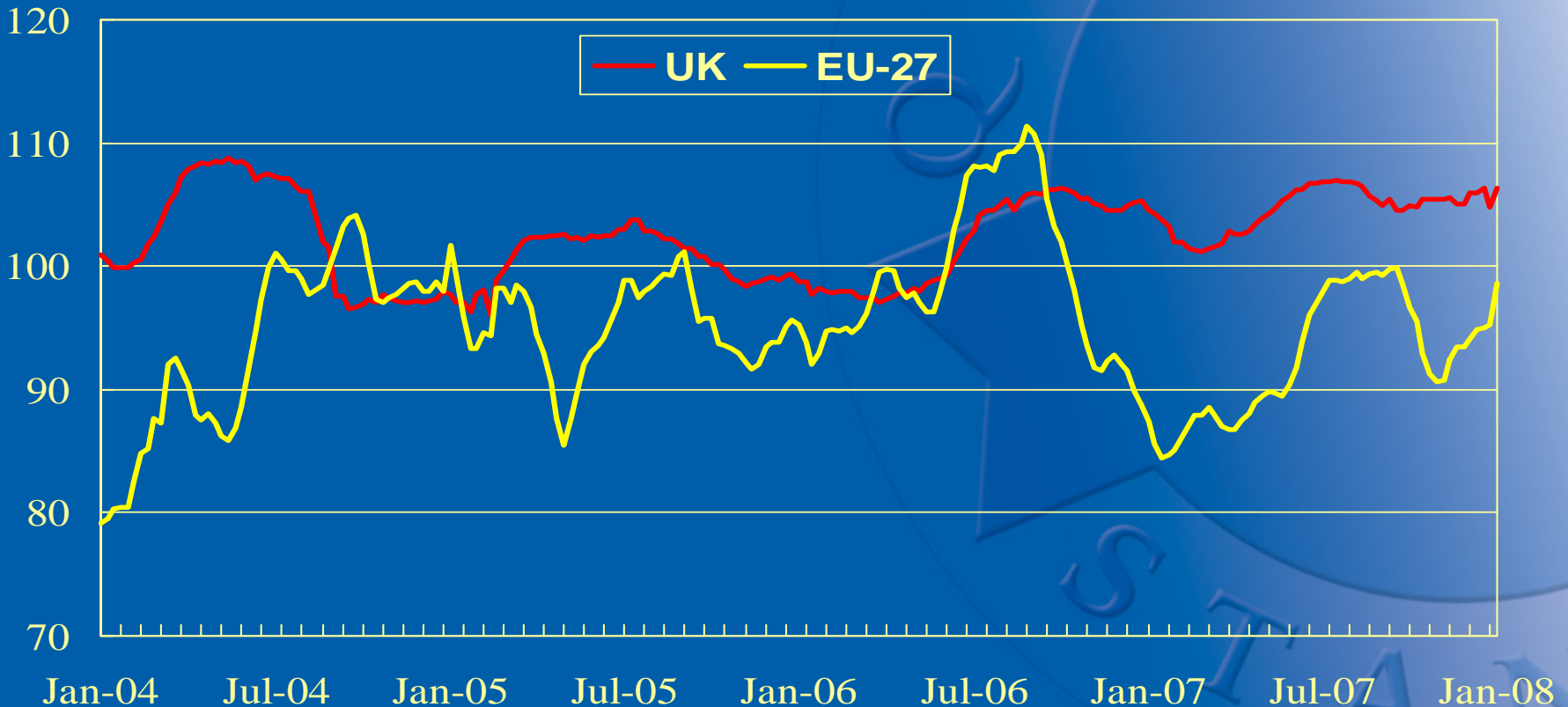
GB finished pig prices stable in 2007 but now under pressure

p/kg dw



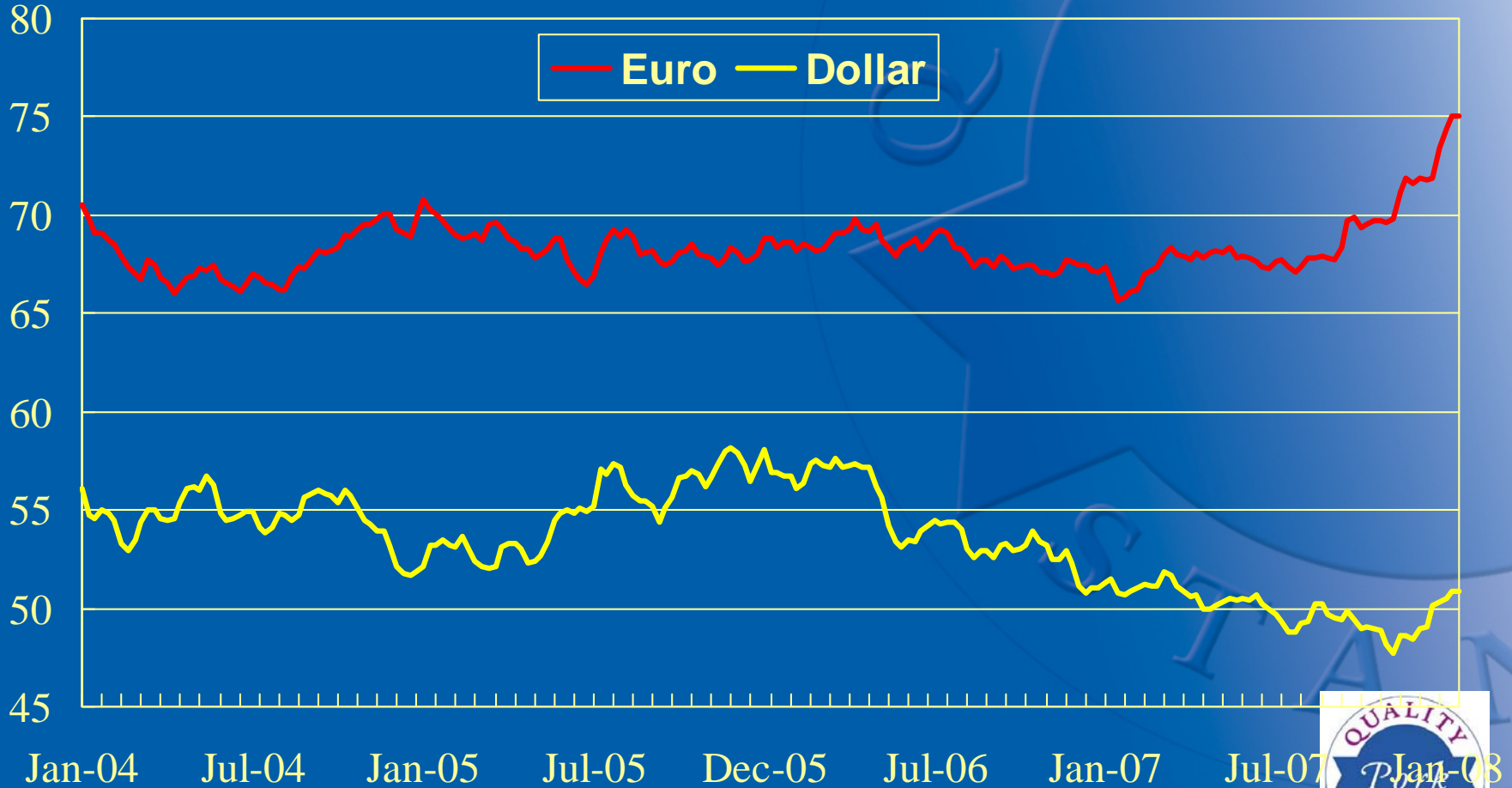
UK prices stable and above EU but exchange rate is having an impact

p/kg dw



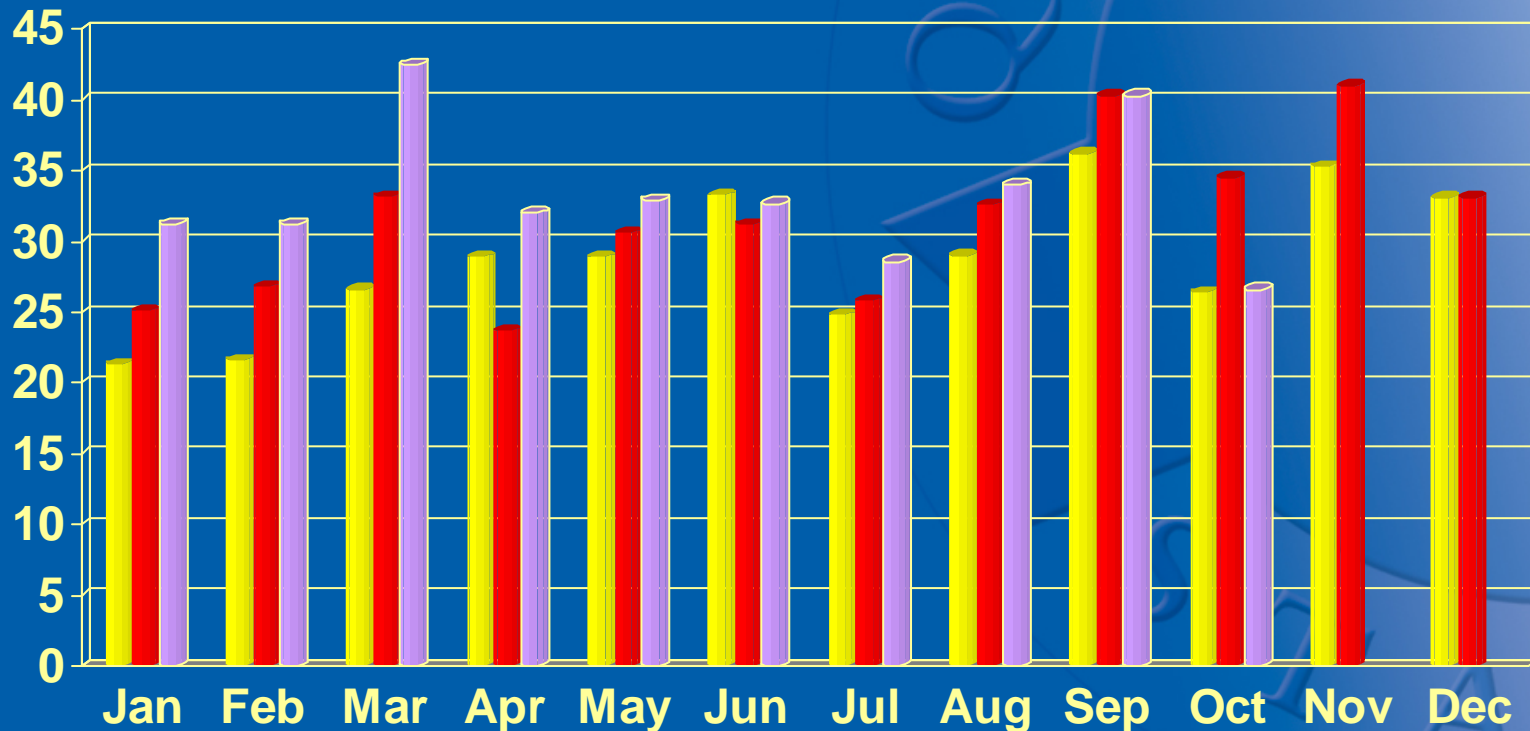
Sterling strong against the \$ but weakening against the €

UK pence



Pork imports up in first half but have fallen away

000 tonnes

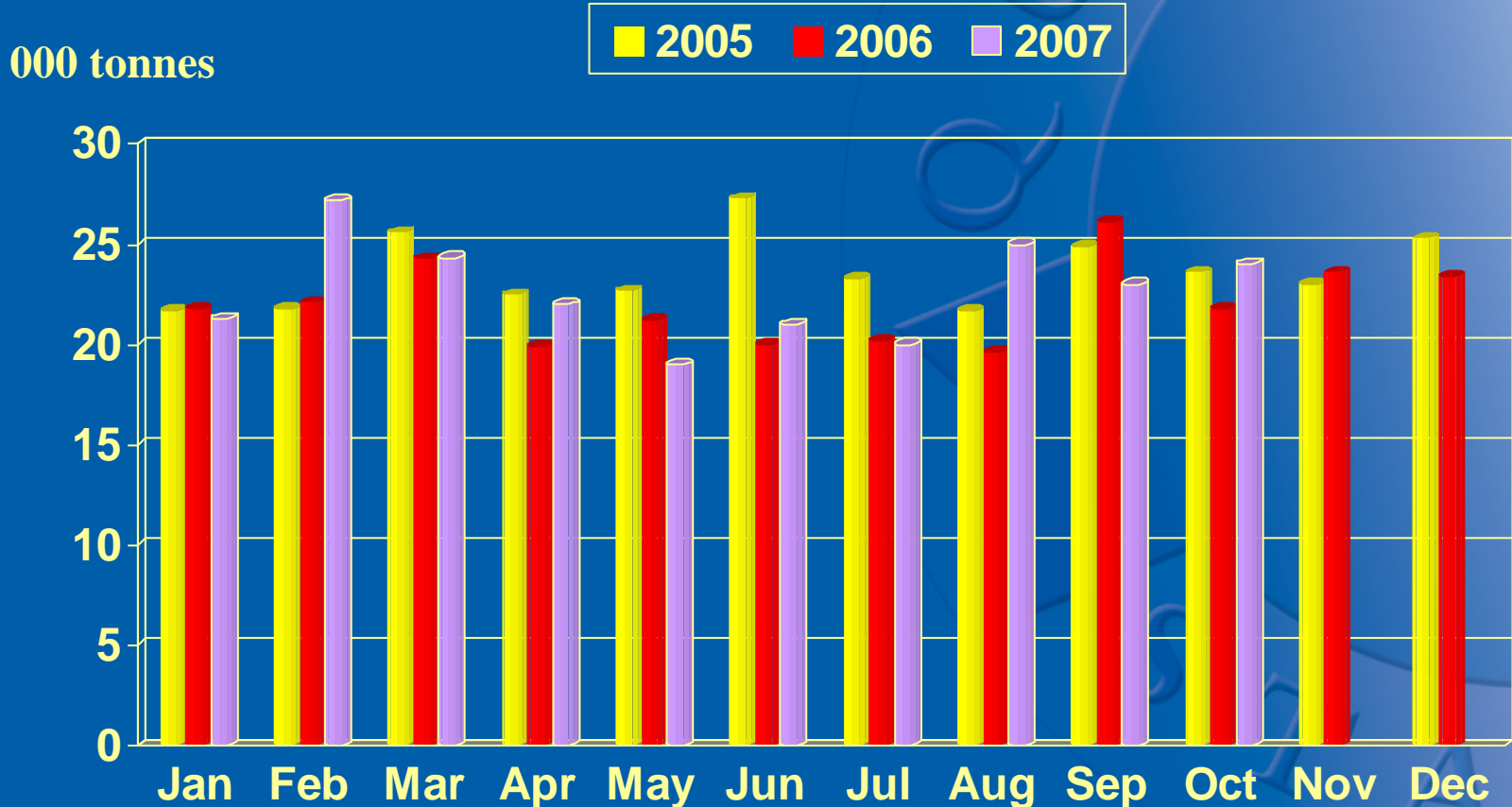


Excluding pork imports for curing as bacon

Source: GTIS



Bacon imports variable but little change overall



Source: GTIS

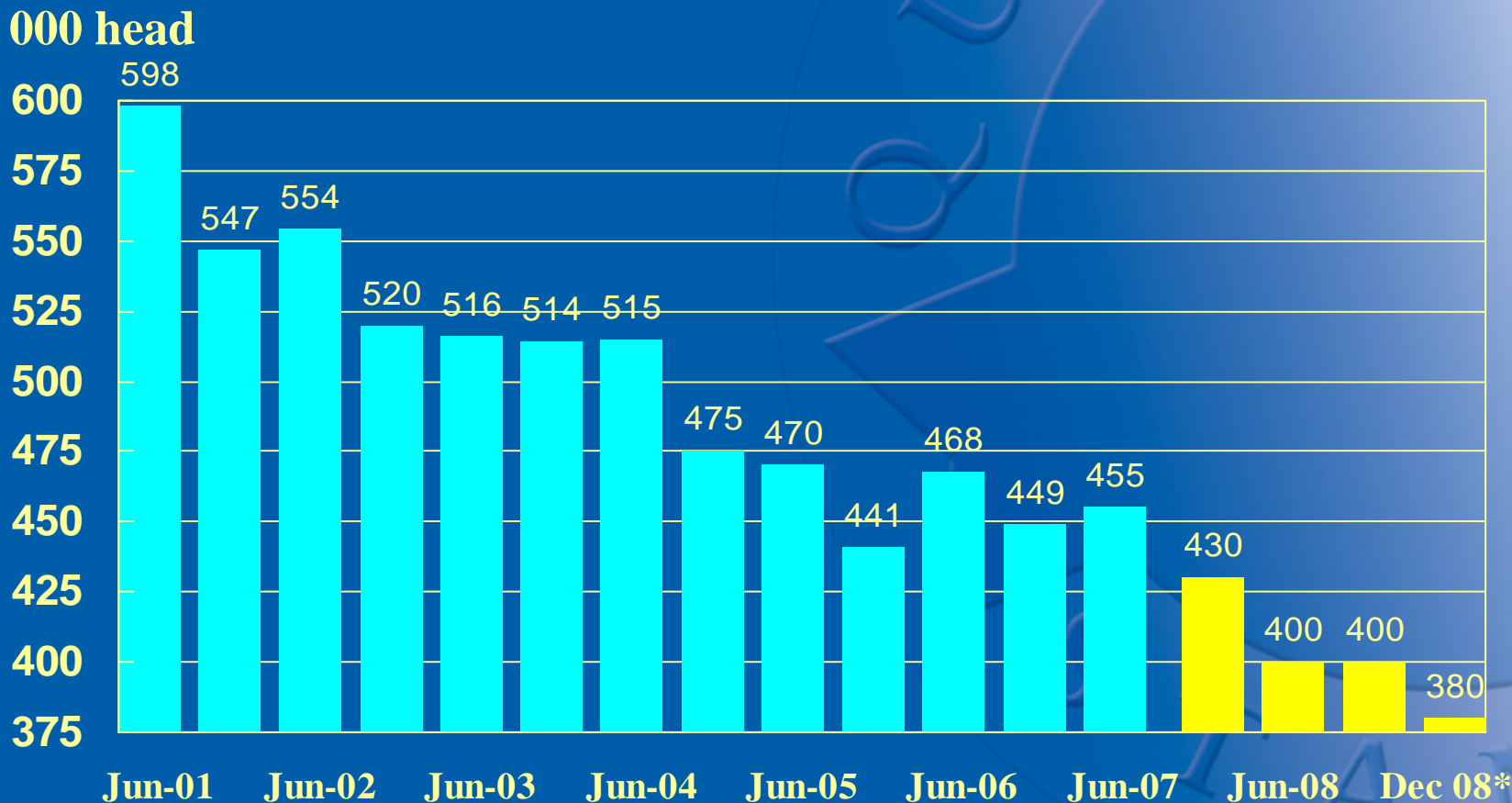


UK Market

- The structure of production has become more concentrated
- Approximately 1500 units account for over 90% of finished pigs
- Approximately 35 farm business account for at least half of production in England and Wales
- The four largest pig abattoir companies (inc Geo. Adams as part of Tulip) account for 60% of the kill in Great Britain

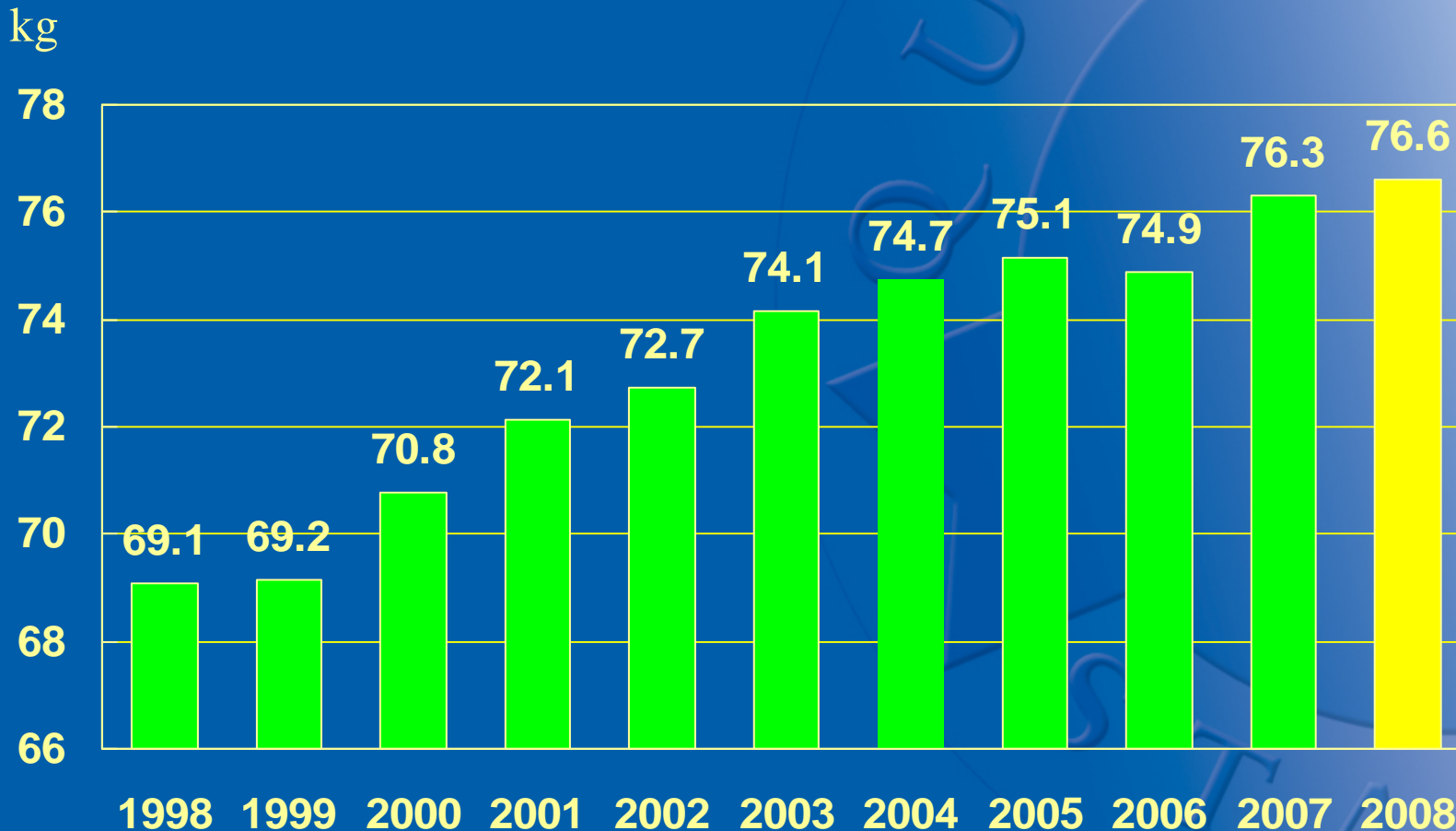


UK Breeding herd forecast to fall to 400k-380k by end of 2008





UK clean pig carcass weights expected to edge up





UK clean pig slaughtering down in 2008 but helped by productivity

Mill head



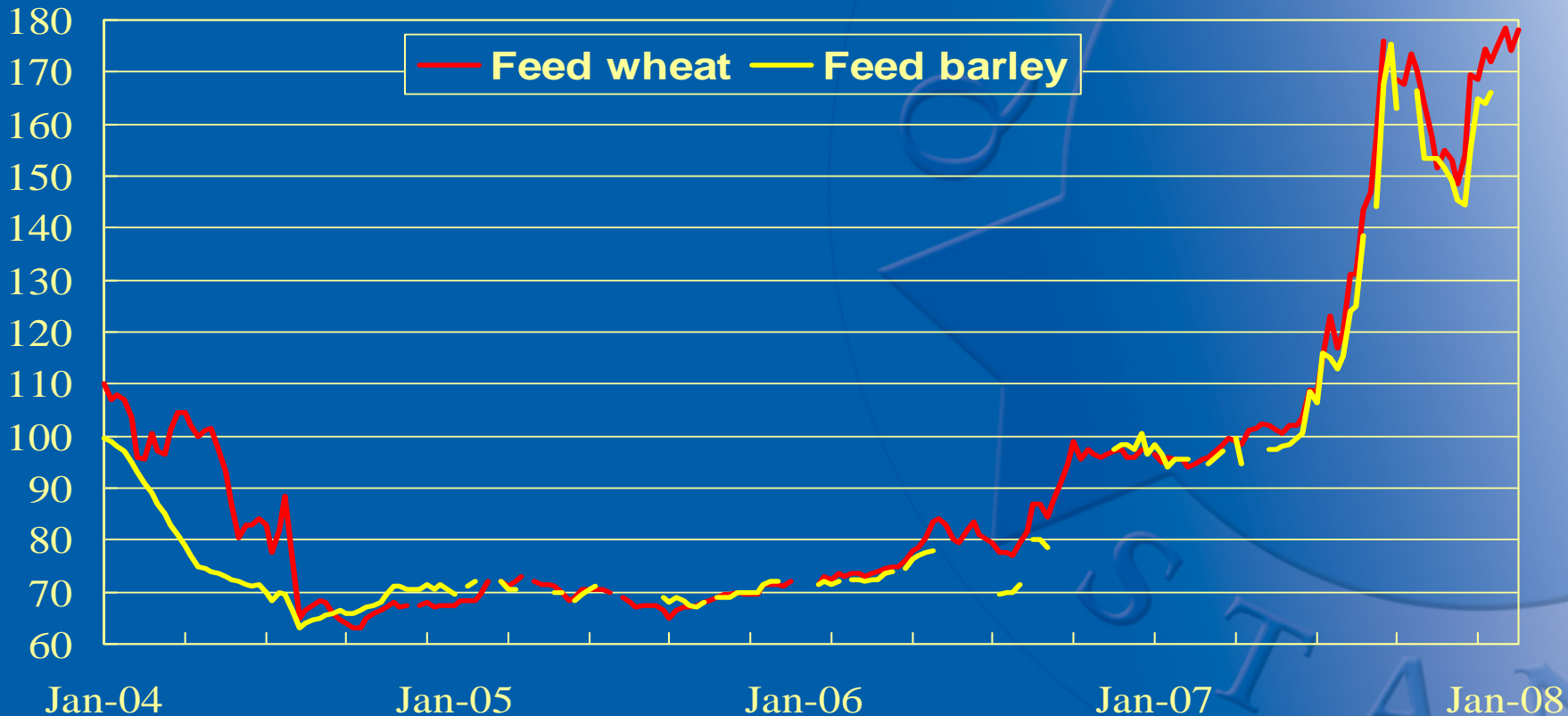
Challenges

- Price competition within the EU
- Increasing concentration in processing
- Environmental legislation
- Welfare legislation
- Animal diseases
- Retailer power
- Feed costs....and what we are doing about it



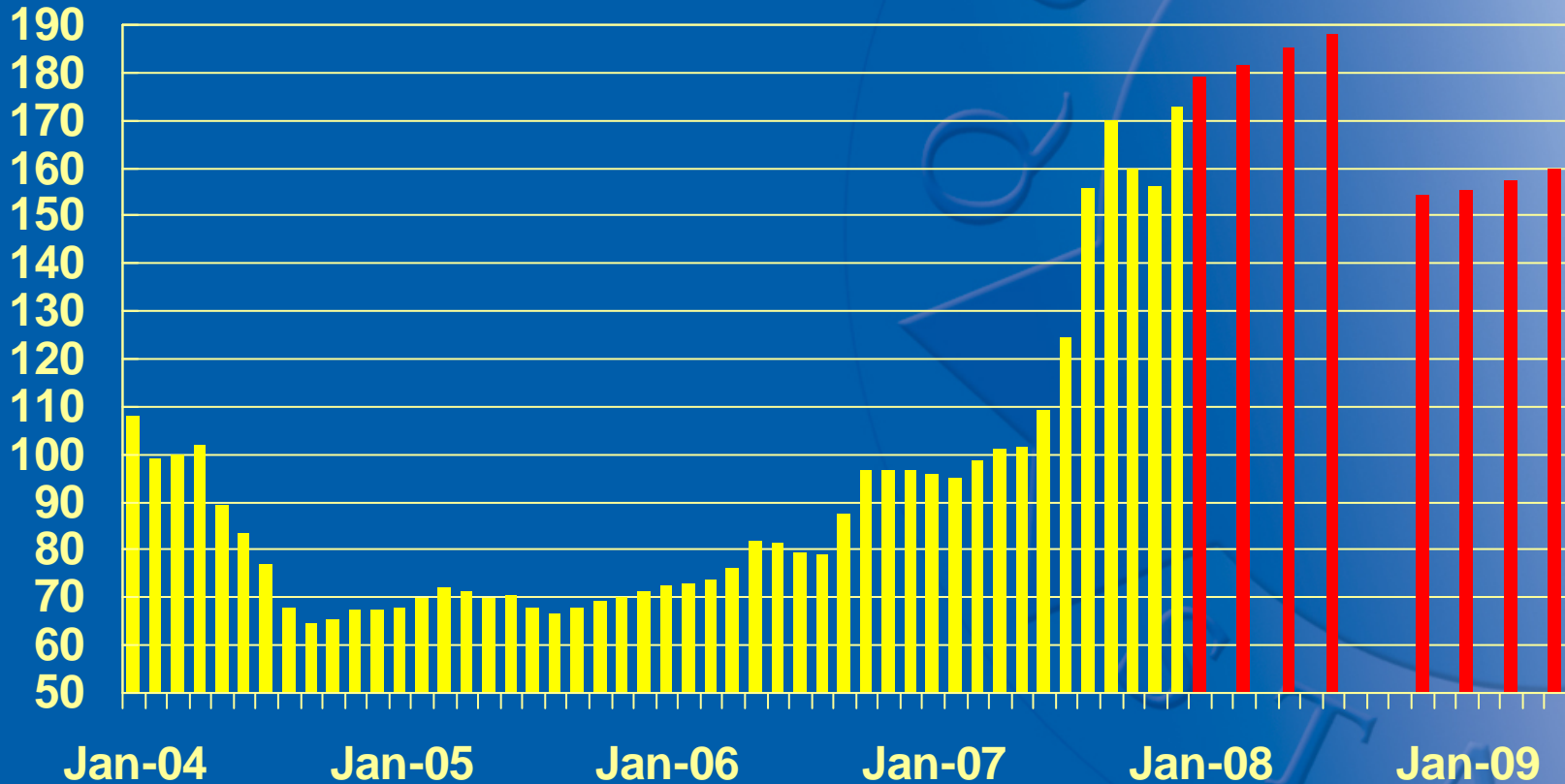
Feed wheat and barley prices

£/tonne delivered



UK wheat futures prices

£/tonne delivered



The potential impact of feed costs on average pig production costs

	Feed wheat	Soya	COP inc. depreciation	COP ex. depreciation
	£ tonne	£ tonne	P/kg	P/kg
2006	70	144	106.2	88.0
07/08	175	220	150	130
08/09	152	250	144	125
08/09	130	220	134	114
Sensitivity	+/- £10	+/-£10	+/- 4.4p	+/- 4.4p

2006 data from Interpig/Agrosoft; Wheat, London futures; Soya Hi pro and CBOT adjustment



A lot will depend on developments in the EU

- Export refunds could encourage greater exports, but the \$/€ rate is a challenge
- Production is likely to fall, the issue is how quickly
- German Nov 07 census shows a 3% YoY fall in breeding sows and 6% in gilt replacements. Production forecast to fall in second half of 2008
- Sow culling in Netherlands very high. Reported reduction in production in Eastern Europe. Less evidence of decline in other EU countries (see www.bpex.org/technical/tech2/practical_advice/key_business_indicators/sow_culling.asp)
- Expectation in Northern EU of a substantial price recovery in second half of 2008 (Danish forecast 25% rise in last ¼ compared with first ¼ of 2008)
- Key drivers for this not immediately obvious ?



Fighting our corner

- Supply and demand will always win out.....eventually
- However, this can come at a cost
- Appeal to the rational behaviour of retailers and food service companies that want to secure their future supplies
- Directors are easier to talk to than buyers !
- Be prepared to go directly to consumers





“Higher debt, on its own, is not a problem”
Stephen King

710
\$m: Tacer's bid for Gateway sale
page 36

Traders losing patience over suspensions
Small Talk,
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Meat prices ‘must rise’ to protect UK farmers

By Karen Attwood

The price of meat will have to rise to protect the health of the livestock industry, which is reeling from the latest outbreak of foot-and-mouth and the wettest summer on record, according to a study published today.

The EU export ban on British meat that was lifted over the weekend, cost farmers £1.8m a day since it was imposed at the start of the month. Farmers are also suffering from the rising costs of wheat and soft commodities. Some producers are facing almost 100 per cent price rises in feed costs, according to the Deloitte consultancy.

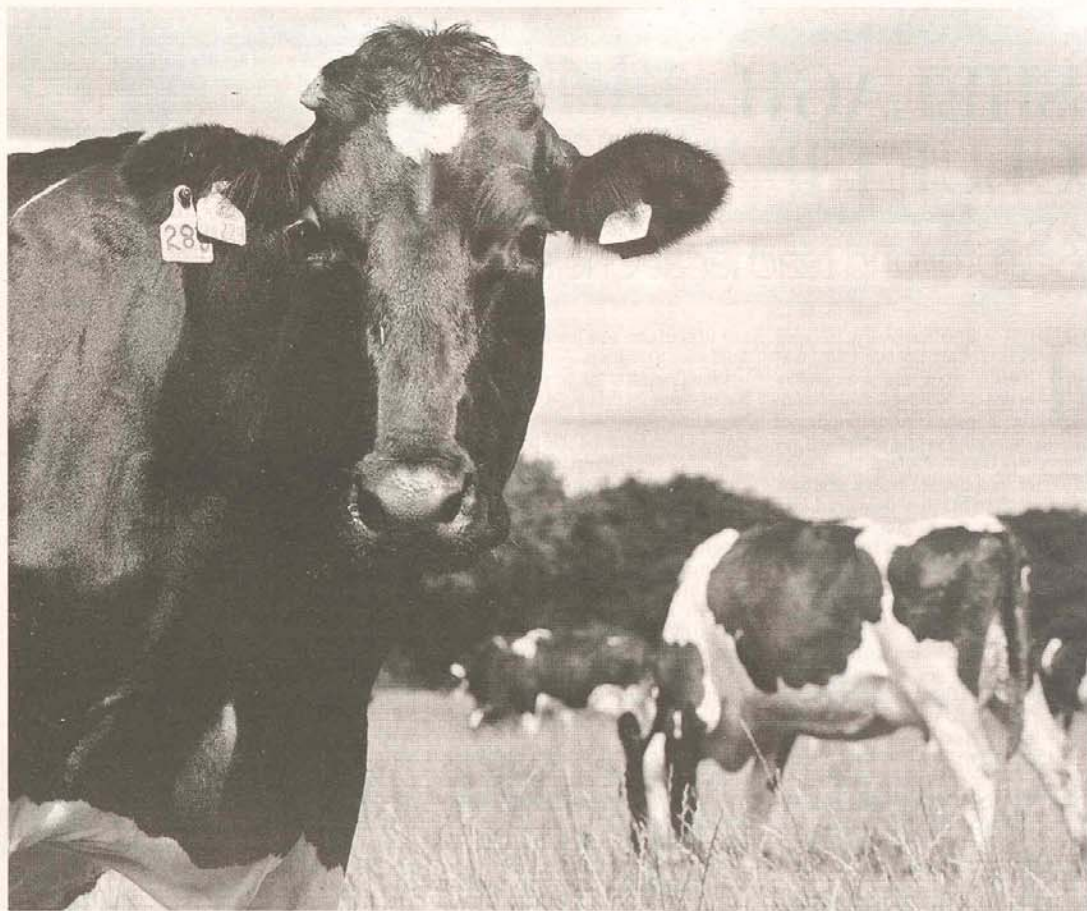
The National Farmers' Union (NFU) said many farmers were reducing their stock or considering quitting livestock farming.

Richard Crane, food and agriculture partner at Deloitte, said: “UK shoppers will have to pay more for their meat. Increased prices will allow farmers to continue to meet the increasing de-

mand for local, high-quality meat. Without it, the opportunity to enjoy home-grown quality produce and British meat could become a rarity on supermarket shelves.”

Peter King, the NFU's chief livestock advisor, said that, following the dismantling of the Common Agricultural Policy, which guaranteed a minimum price to producers, British livestock farmers have been struggling. Farmers are paid 200p per kilogram for cattle but this is 15-20 per cent less than the cost it takes to produce it, he said. The doubling of wheat prices has added an extra 45-50p to the cost of a kilogram, which farmers are unable to get back.

“It is just at the point where consumers are demanding more local and more home-grown products that British farmers are most under threat,” said Mr King. “Everybody in the supply chain has a responsibility to recognise that farmers are producing meat well below the cost of production.”



The National Farmers' Union said cattle stock in the UK had reduced by 7 per cent over the last two years GETTY IMAGES

He said that, over the last two years, cattle stock had reduced by 7 per cent and this looked set to continue.

Mr Crane said vaccinations of animals are likely to be introduced to ensure no further outbreaks occur, which would be an

extra burden on farmers. Furthermore foreign markets could still close their doors to UK meat.

“The export of animal by-products, for example, the sub-prime cuts which are exported to maximise returns, would not be available,” he said. “The upshot is re-

duced returns to the farmers and the processors which could hurt the UK's £493m-a-year meat export industry.”

In February, following the outbreak of bird flu, Sainsbury's and Morrisons reported a 10 per cent week-on-week drop across all

fresh and frozen poultry products and Sainsbury's said sales of its own-brand poultry products were down by 5 per cent.

The EU ban was imposed after foot-and-mouth was first confirmed at a farm near Guildford in Surrey on 8 August.

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KEEPING ONLINE
PUNTERS HAPPY

FOOTBALL CRAZY - ARE
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THE BEAUTIFUL GAME?



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The Grocer



YouGov Research conducted last month shows:

78% of consumers are prepared to pay a few more pence on pork to support farmers

73% of consumers agree that pig farmers should be able to pass on price increases to supermarkets

91% of consumers agree it is important to retain a strong farming sector to produce our own food

87% of consumers agree pork imports should meet UK welfare standards

**BECAUSE
PIGS
ARE WORTH IT!**

For more information go to
www.bpex.org.uk

The Quality Standard Mark for Pork differentiates Quality Standard pork and pork products from cheaper imports, much of which would be illegal to produce in the UK.

Escalating feed costs world-wide mean that pig farmers are losing more than £20 for every pig they produce.

It's why we're asking supermarkets and foodservice outlets to increase immediately the price farmers receive to help preserve an industry that has set high standards for animal welfare and product quality.

We believe that's worth it. And so do the overwhelming majority of British consumers.

Because Pigs Are Worth It!



**PIGS
ARE WORTH IT!**



**GROCER
FRONT
COVER
6 OCTOBER
2007**



This little piggy went to market
whereupon she was sold for much
less than she was worth.

It's enough to give a pig farmer nightmares. Every time a pig is reared and sold in the UK, the farmer stands to lose £26. And now Britain stands to lose its pig farms.

At the root of the problem is the soaring price of wheat, which is driving up the cost of feeding pigs.

Some of Britain's supermarkets have responded by raising the price of pork. But not all this extra money has made its way back through the supply chain to the pig farmers.

In fact, the average amount paid to the pig farmers hasn't changed at all.

The logo at the bottom of this page, the Pigmeat Quality Standard Mark, is proof that farmers care about the welfare of their animals.

We think it's time people started caring about the welfare of pig farmers.

Please show your support by signing the petition at www.pigsareworthit.com




British Pigs Are Worth It - Microsoft Internet Explorer

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BRITISH PIGS ARE WORTH IT!

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The British pig industry operates to the highest standards of welfare and production in the world. It does so without any form of subsidy.

The Quality Standard Mark for pork differentiates pork, bacon and ham produced to these high standards. When given the choice, consumers prefer the high standards of British pork through their purchase of Quality Standard Mark products.

There is a real danger now that consumers may not have that choice for much longer. The British pig industry is currently under extreme and growing pressure caused by significant increases in world-wide feed prices - these have doubled in the past year. The cost of feed accounts for almost half the cost of producing a pig.

The industry has reached crisis point. The increases in production costs are unsustainable and the situation threatens the very existence of pig farming in Britain.




That's why pig farmers are calling now on retailers and caterers for an immediate increase in prices. The industry is already extremely efficient and the increase called for is relatively modest – it equates to between 7p and 17p on the pack price of typical pork or pork products in the shops.

But that modest increase will enable the industry to survive and continue to operate to the high standards that differentiate the British product. The very existence of our industry depends upon it. The continued choice which consumers enjoy depends upon it.

Retailers have the opportunity to demonstrate a clear and genuine commitment to British produce and to consumers' preference for British Quality Standard pork, bacon and ham.

We're asking for your support in our campaign for fair prices - because **British Pigs are Worth It!**

Sign our e-petition to support our campaign for fair prices.

There is strong public interest in ensuring that pig farmers and processors in this country receive a higher price from retailers and caterers for their pigs t

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Highlighting losses





Save a rare British breed from extinction.
No, we don't mean the pig.

When British pig farmers aren't up to their knees in whatnot, they're increasingly likely to be up to their necks in debt. In today's difficult economic climate, they could lose as much as £26 on every pig reared and sold in the UK. Many face financial ruin and are sadly giving up on pigs altogether. So what caused this crisis? Well, pig farmers in the UK already face higher costs than those in Europe, largely due to our higher standards of pig welfare. But the global rise in wheat prices has driven up the cost of feeding pigs worldwide. Some supermarkets have responded by raising the price of quality pork products, but not much of this extra money is making its way back to the farmers.

If you'd hate to see the extinction, not only of pig farming in Britain, but also of your right to choose which pork products you buy, please support us. Look for the Pigmeat Quality Standard Mark when buying pork products and sign our petition at www.pigsareworthit.com

Save our bacon, before it's too late.



meat trades journal

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Save our British pig farmers

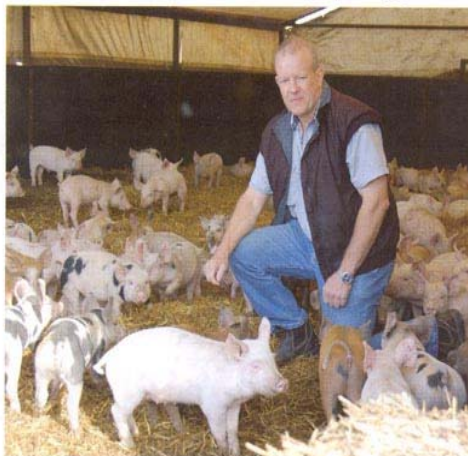
Chloe Smith

The UK pig industry is in meltdown, with industry commentators warning it is on the brink of collapse. The news came as two leading pig producers went to the wall last week. DRS Pigs and MCB Sow Company, both based in Yorkshire, called in administrators having amassed debts of over £3m.

Together, the companies have around 6,100 sows with 50,000 progeny, and 90 contract producers/finishers. Industry analysts estimate the companies' production, around 120,000 piglets a year, represents 2% of the industry.

With many in the sector now warning that the industry is on the brink of collapse, *Meat Trades Journal* is to launch a campaign to save the British pig industry.

The campaign, Save Our British Pig Farmers, will call on retailers and others in the chain to raise the price of pork to allow farmers to make a living and re-invest in their operations. Ed Bedington, editor of *MTJ*, said: "The pig industry is in a hopeless situation. It's estimated that UK pig farmers are losing around £20 or more on every pig



Retail prices have gone up but little of that is finding its way to pig producers

slaughtered. Some estimates suggest the sector is losing £6 a second or £3.6m a week. It doesn't take a genius to realise that this situation isn't sustainable and something needs to be done.

"Latest survey results show that 95% of farmers polled are considering halting production

unless they can get much better prices for their pigs."

Feed prices have jumped from £96/t last year to a current price of around £178/t, an increase of 82%. With feed accounting for 50% of the cost of pig production, costs have spiralled for beleaguered farmers. "The industry has become

leaner and more efficient in the last few years, to the extent that there is no more fat to trim," said one industry source.

While retail prices have risen in recent months, from £4.85/kg to £5.32/kg, there has been little evidence of a shift at the bottom of the chain, with the daily average pig price (DAPP) remaining static at around £1.10/kg. At the moment it is not clear where the benefit of those price rises has gone, with many in the industry describing the extra money as "sticking to the sides".

Stewart Houston, chairman of BPEX, said: "It's very gratifying that a magazine such as *MTJ* sees the gravity of the situation, appreciates the importance of the British pig industry and is willing to throw its weight behind the campaign. The industry is in meltdown and if we don't get some early answers, there will be some early exits.

"Retail prices have gone up, but very little of that has found its way down the supply chain to the producer. The biggest challenge over the next three months will be to make sure those rises reach the producer."

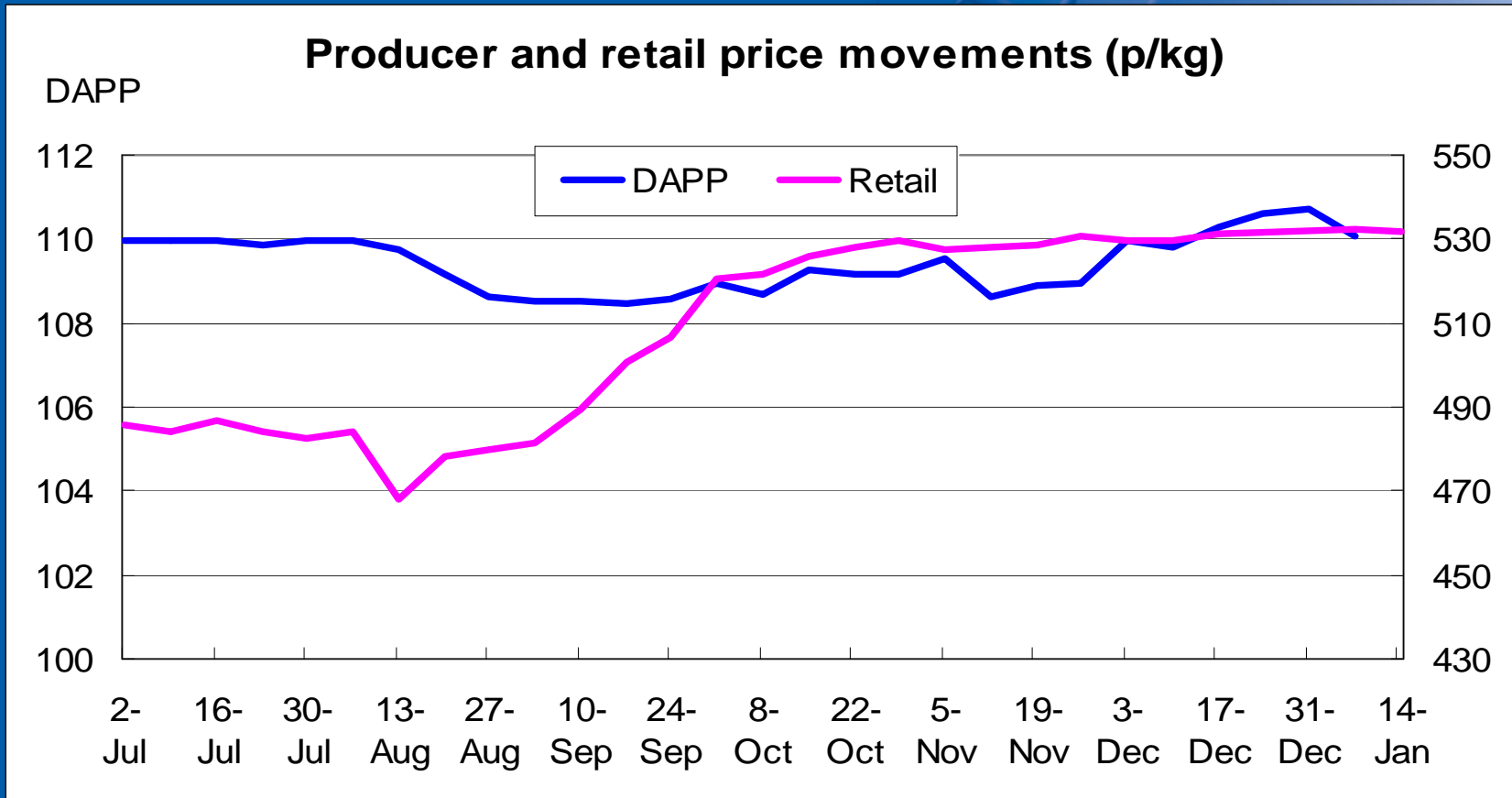


Has it worked?

- To an extent.....
- But not enough for producers



Retail Pigmeat Basket Price and DAPP



Conclusion

- 2008 will see a small fall in UK pigmeat production as falling sow numbers are partly offset by higher productivity
- All producers face a dramatic escalation in feed costs
- We may have to wait for supply and demand to react and hope that we are the last man standing
- Or we can take a more strategic approach and try to secure supply during this difficult period
- Different markets will seek different solutions



Thank You



www.bpex.org.uk

