Pig Market Outlook

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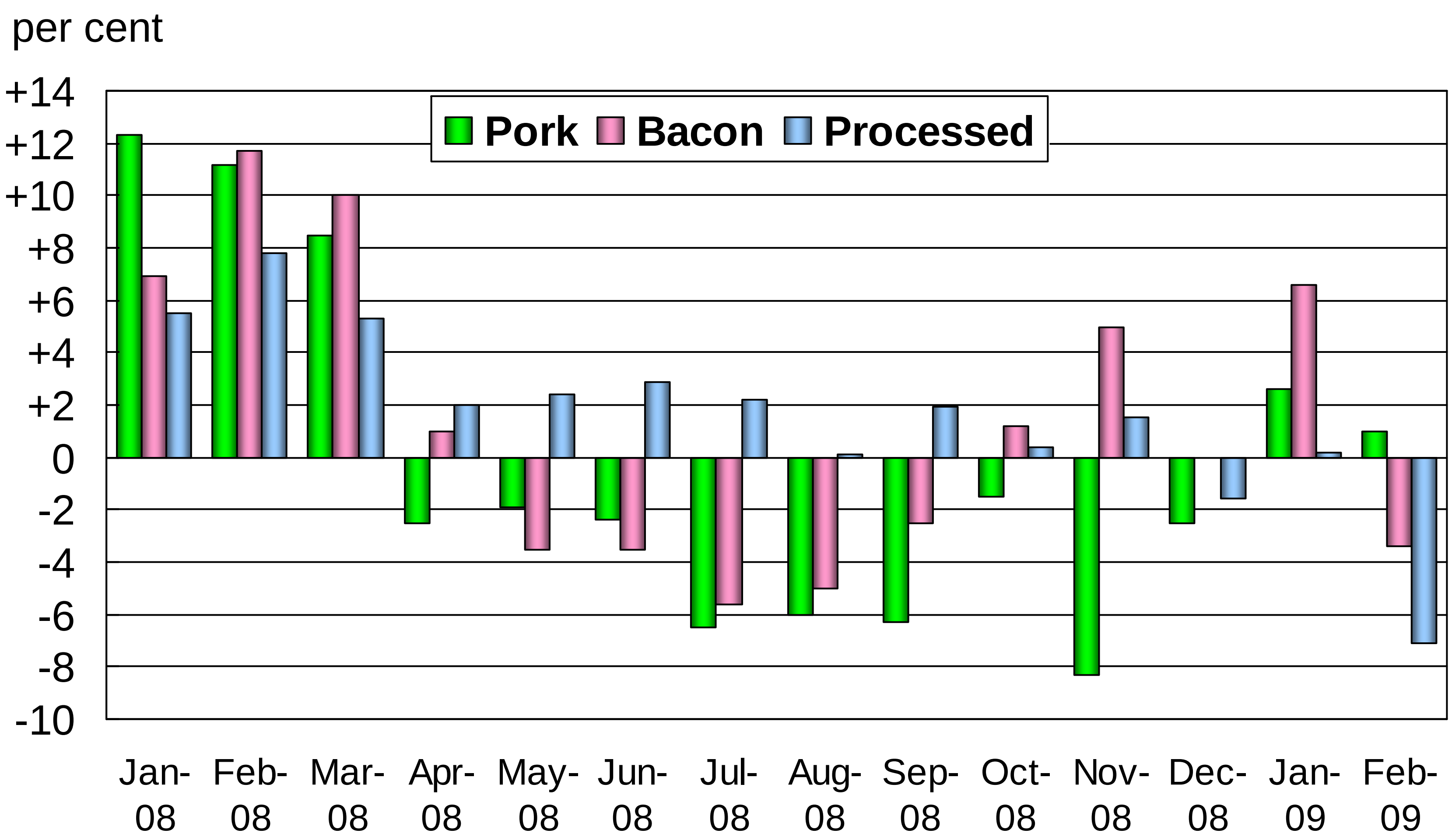
Items to Cover

- Trends in demand
- Trends in production
- Trends in market prices
- The impact of exchange rates
- Conclusions

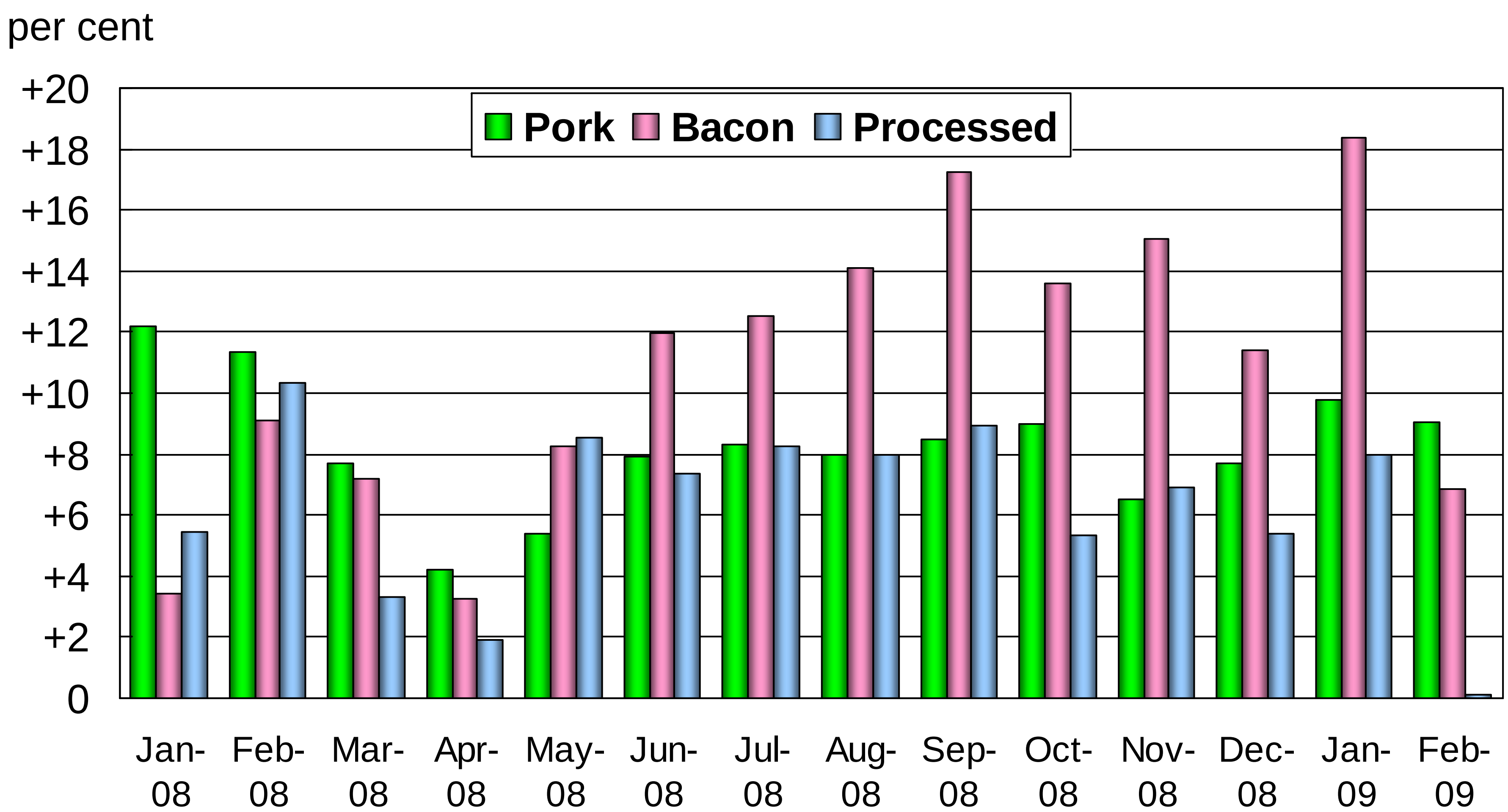
Trends in Demand

- Overall demand for pork and pork products has been very robust
- Retails sales volumes were up in the early part of the year but then declined
- However expenditure was very strong as a result in significant increases in retail prices

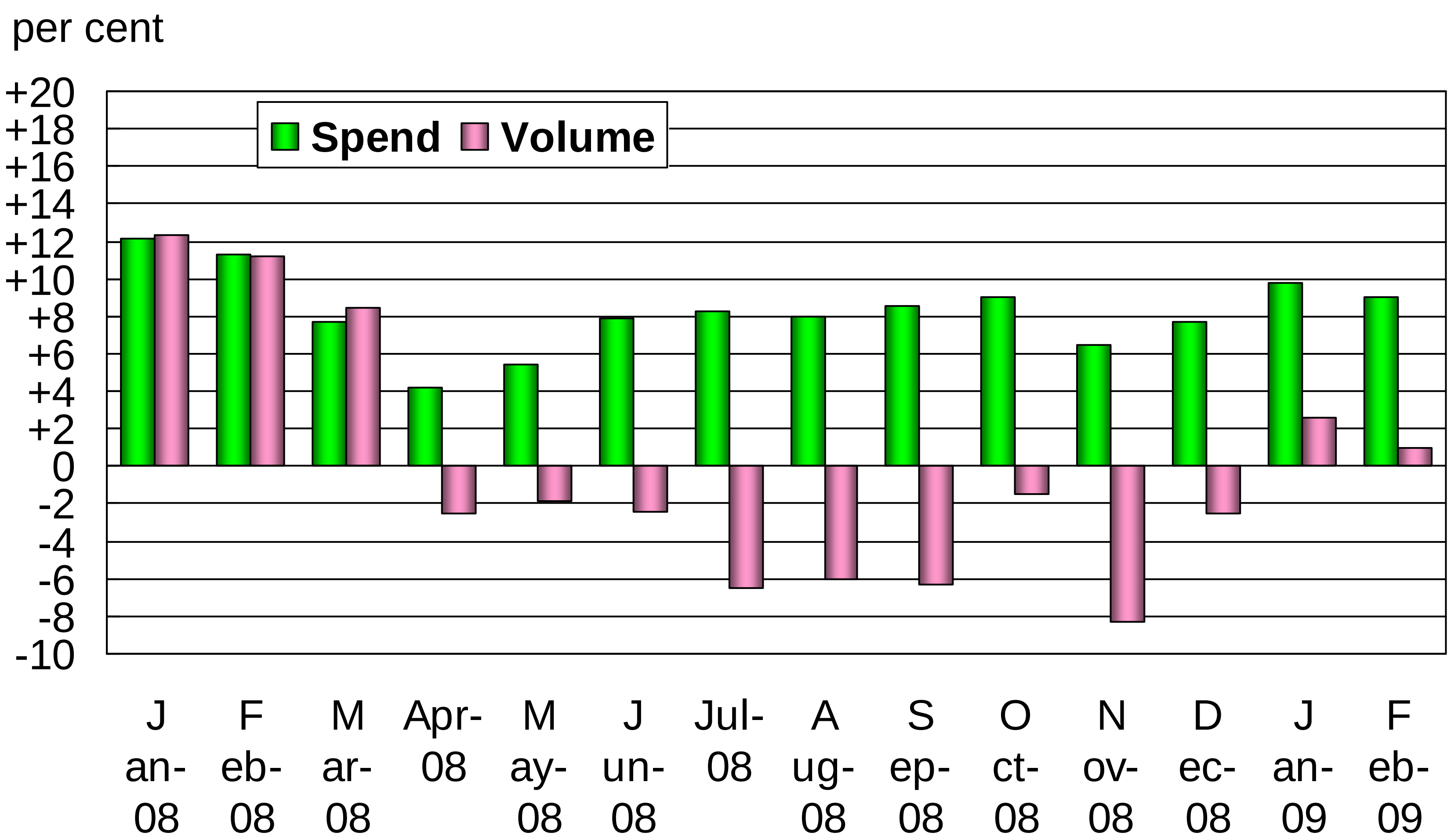
Annual Changes in Retail Purchase Volumes (TNS)



Annual changes in retail expenditure (TNS)



Annual Changes in Retail Pork Volume and Expenditure (TNS)



BPEX


"To help pig farmers stay farming - look for the Mark."
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Antony Worrall Thompson
the Chefs
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Jamie Oliver gets patriotic about pigs
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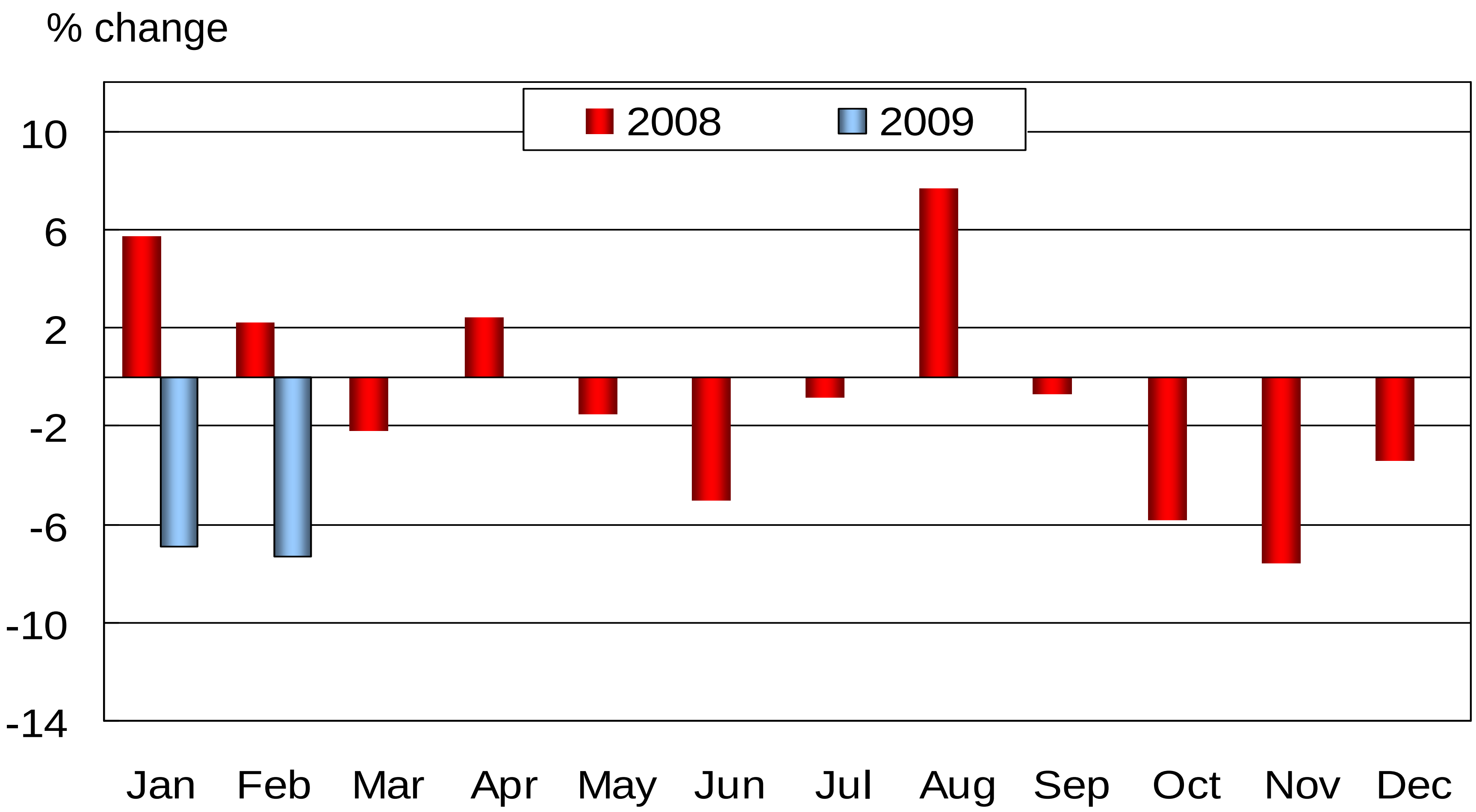
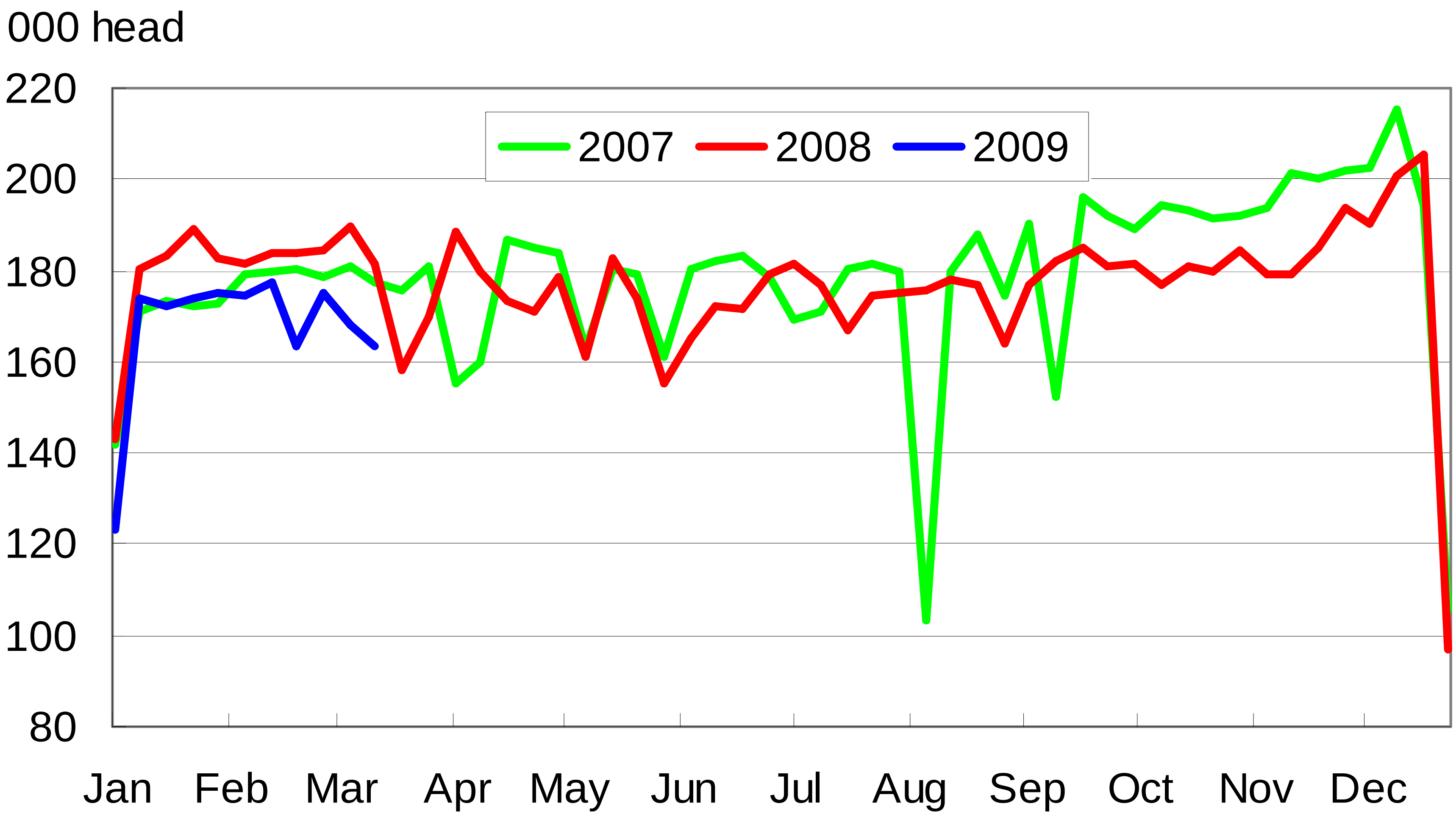
Production Trends

- UK kill 9.19 mill in 2008, down 1% on 2007
- Monthly comparisons disrupted by FMD
- Average Carcase Weights continue to rise
- Not much change in production last year

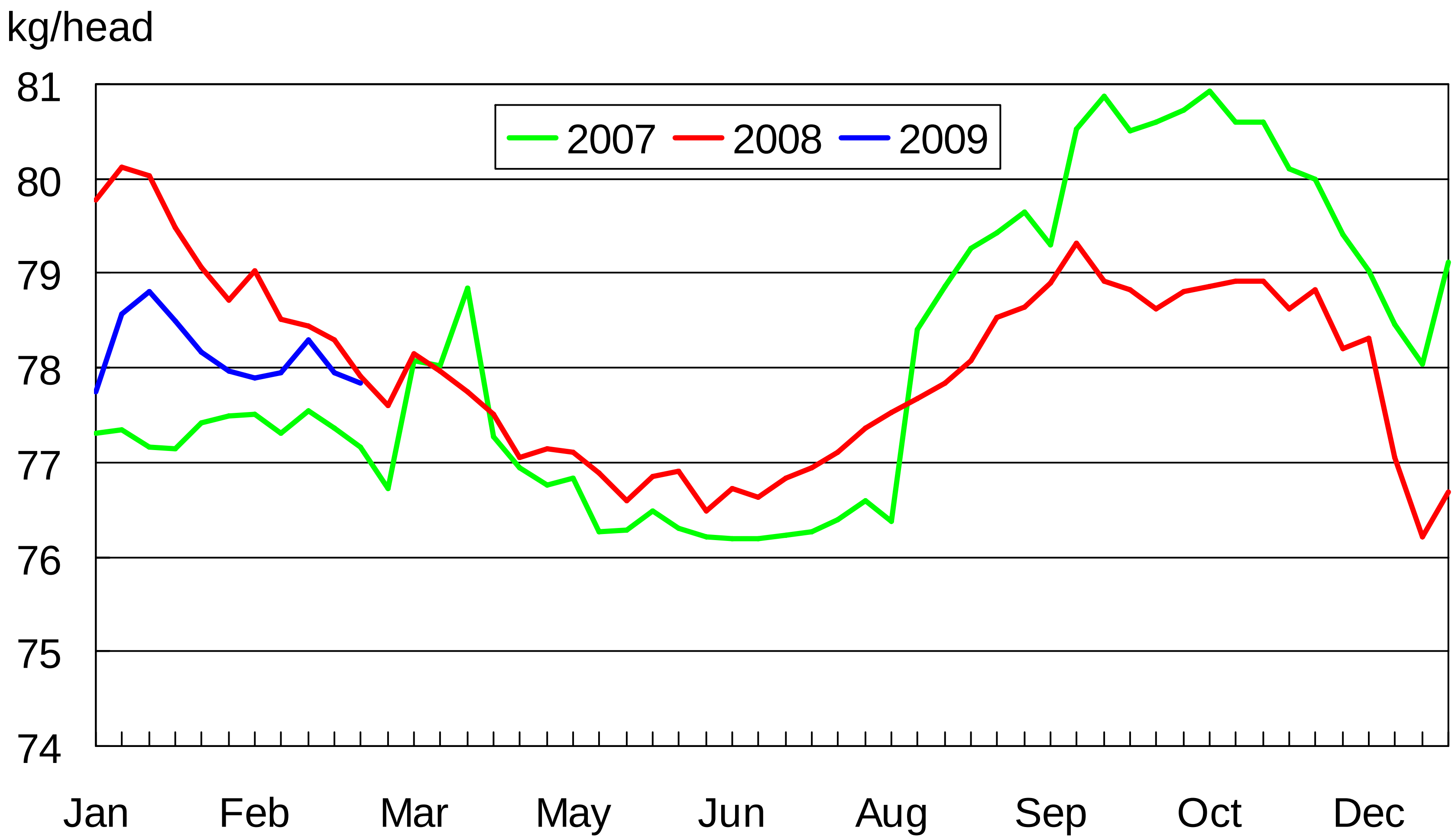
Clean Pig Slaughterings



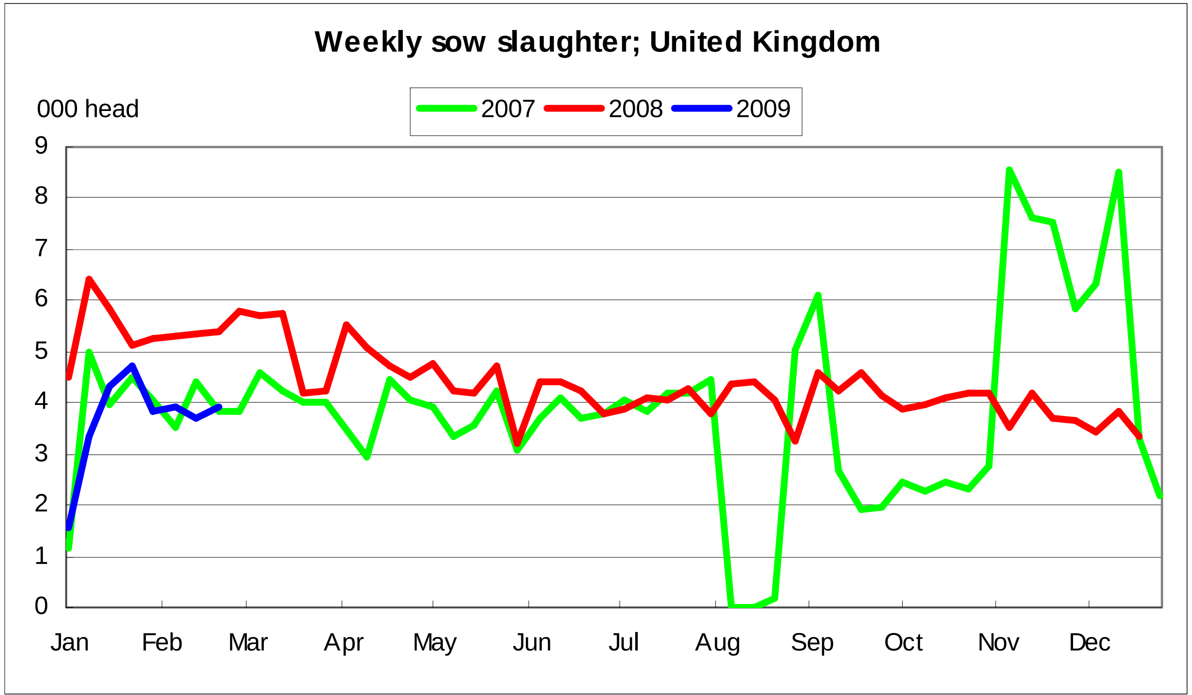
Weekly Pig Slaughterings

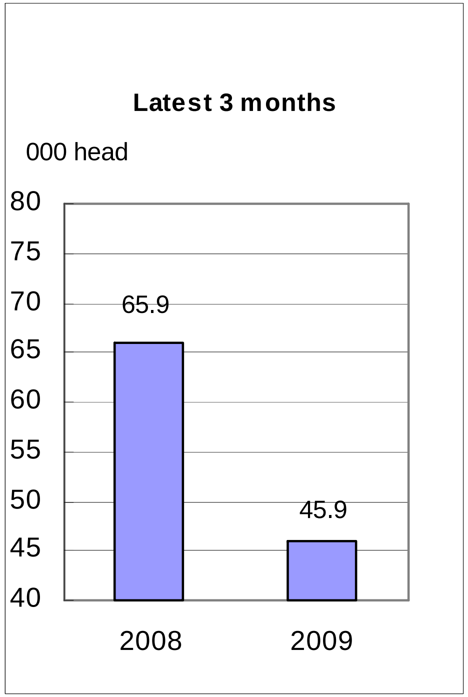


Average Carcase Weights



Sow Slaughterings

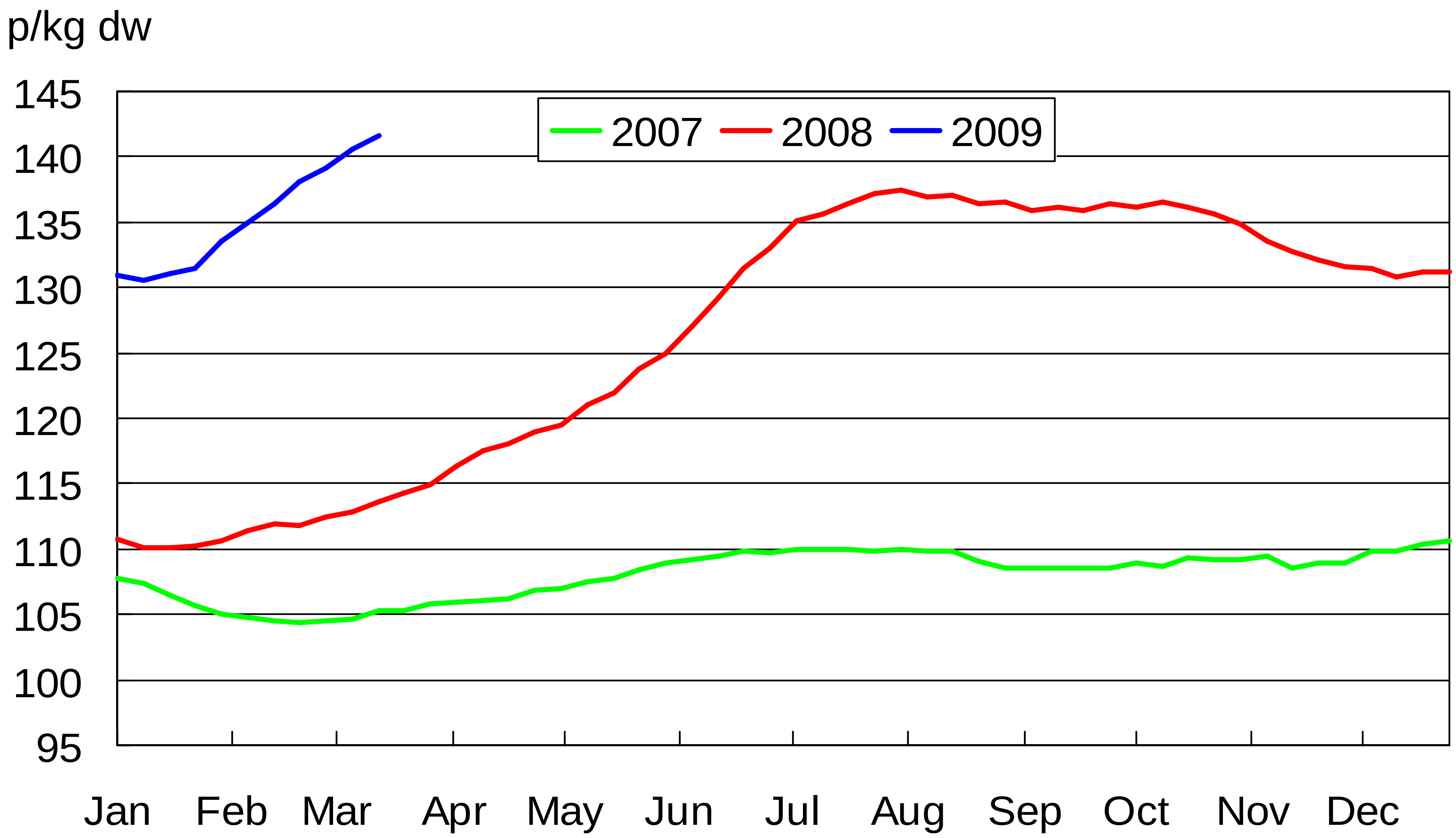




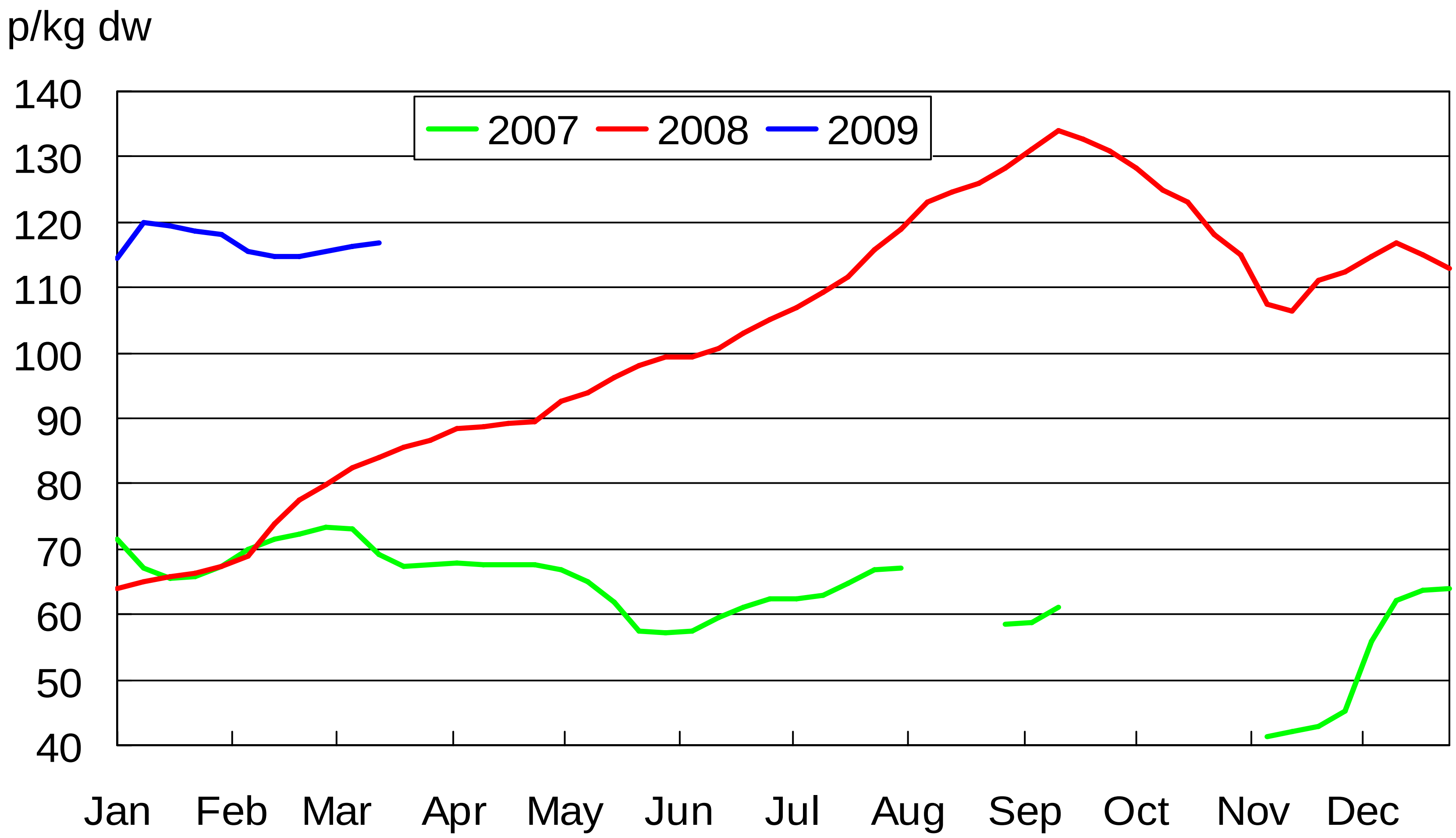
Price Trends

- Improvement in mid 2008
- Generally sustained through the Autumn
- Pick up evident in early 2009

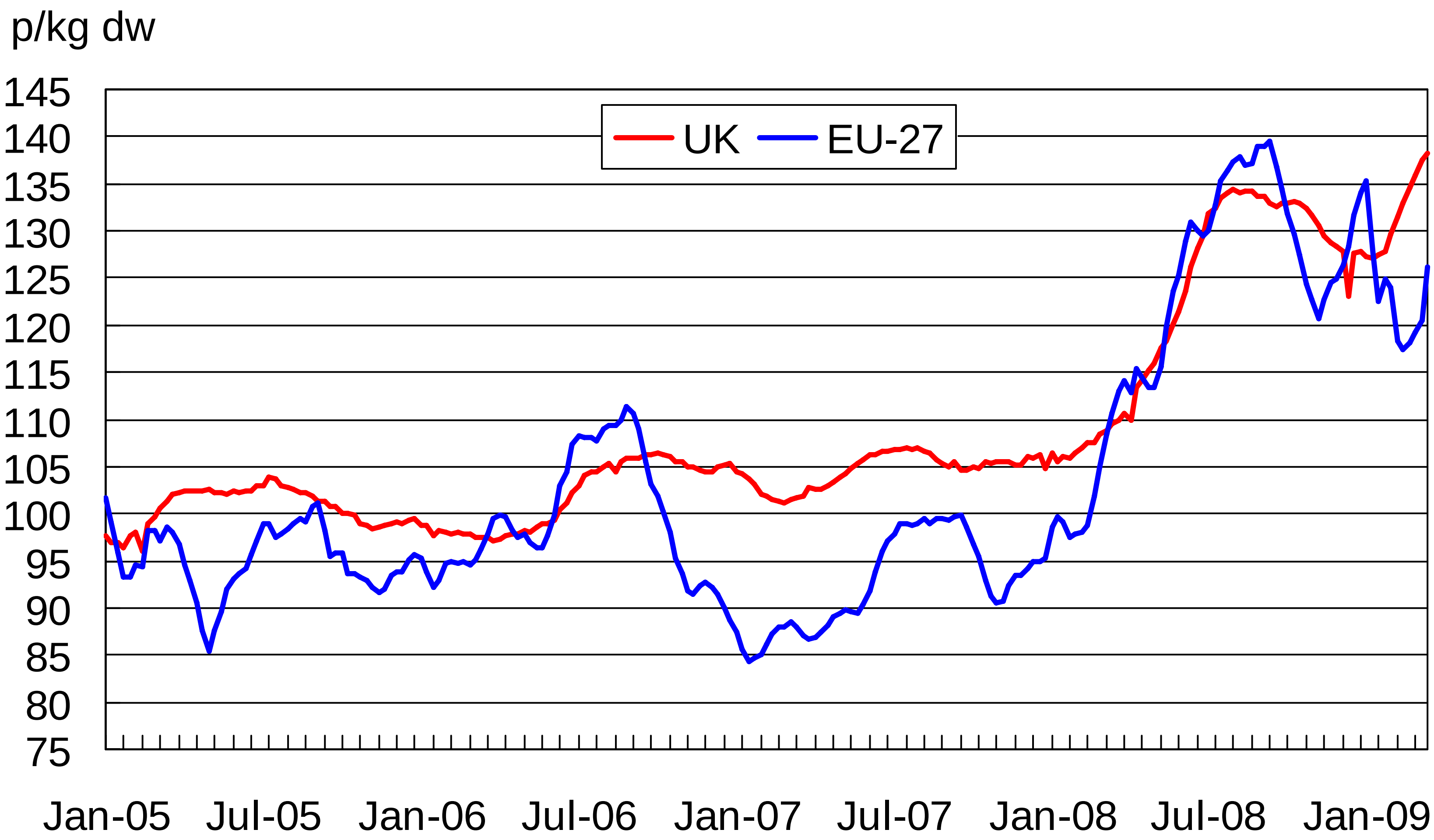
GB Finished Pig Prices



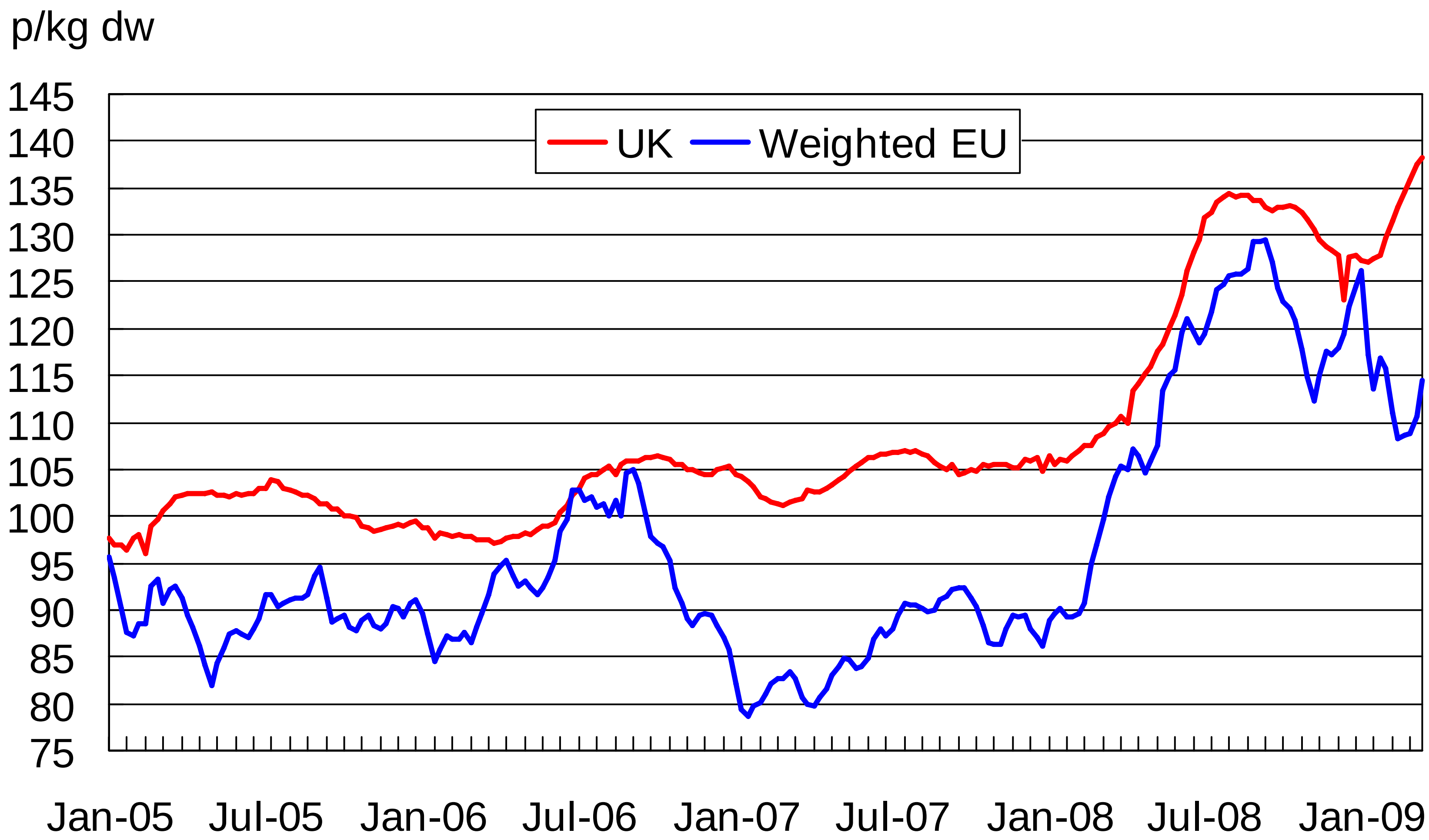
GB Cull Sow Prices



EU and UK Pigmeat Reference Prices



UK and Weighted EU Pigmeat Reference Prices (a)

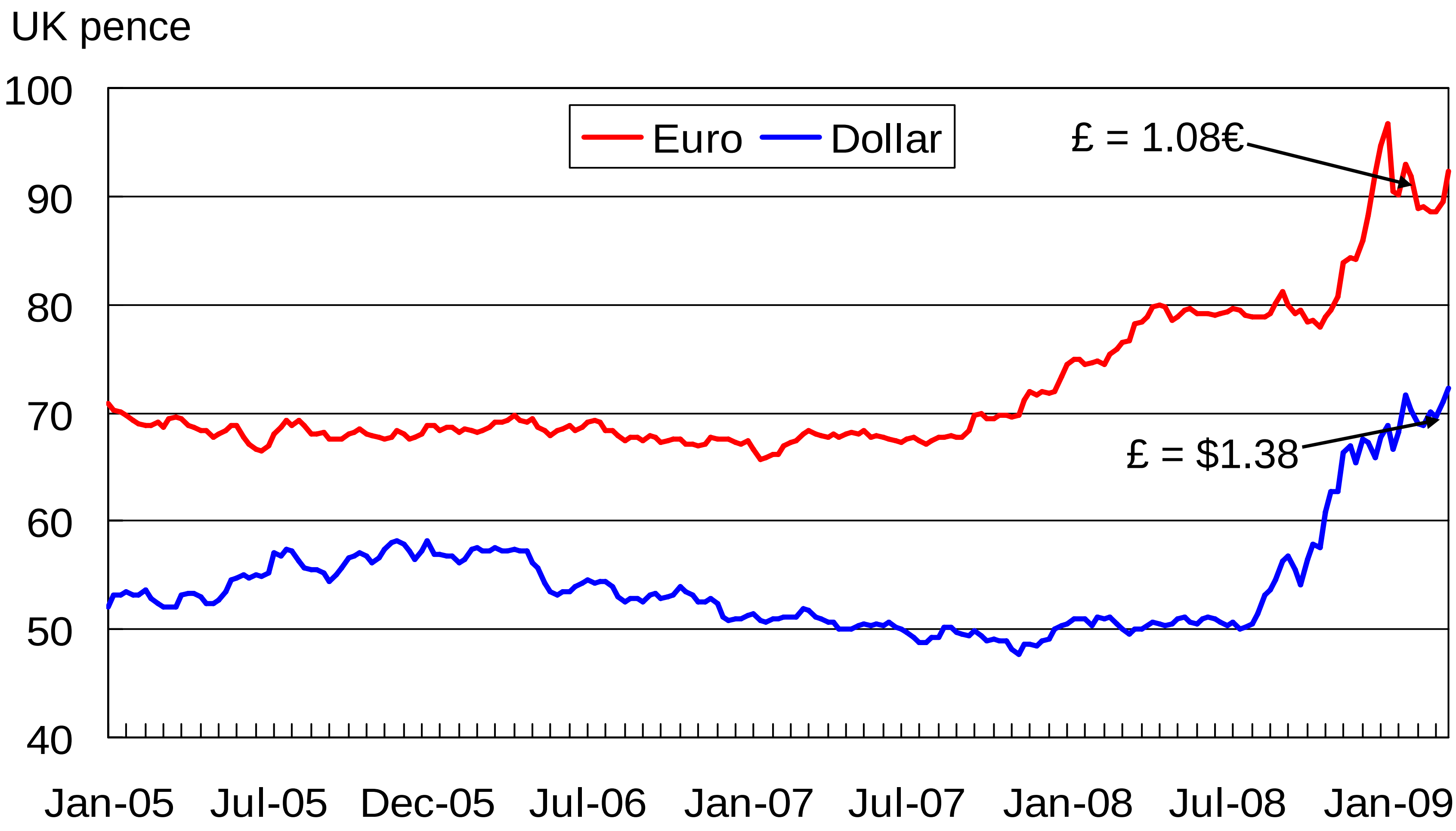


(a) EU reference prices weighted by 2006-07 UK import volumes

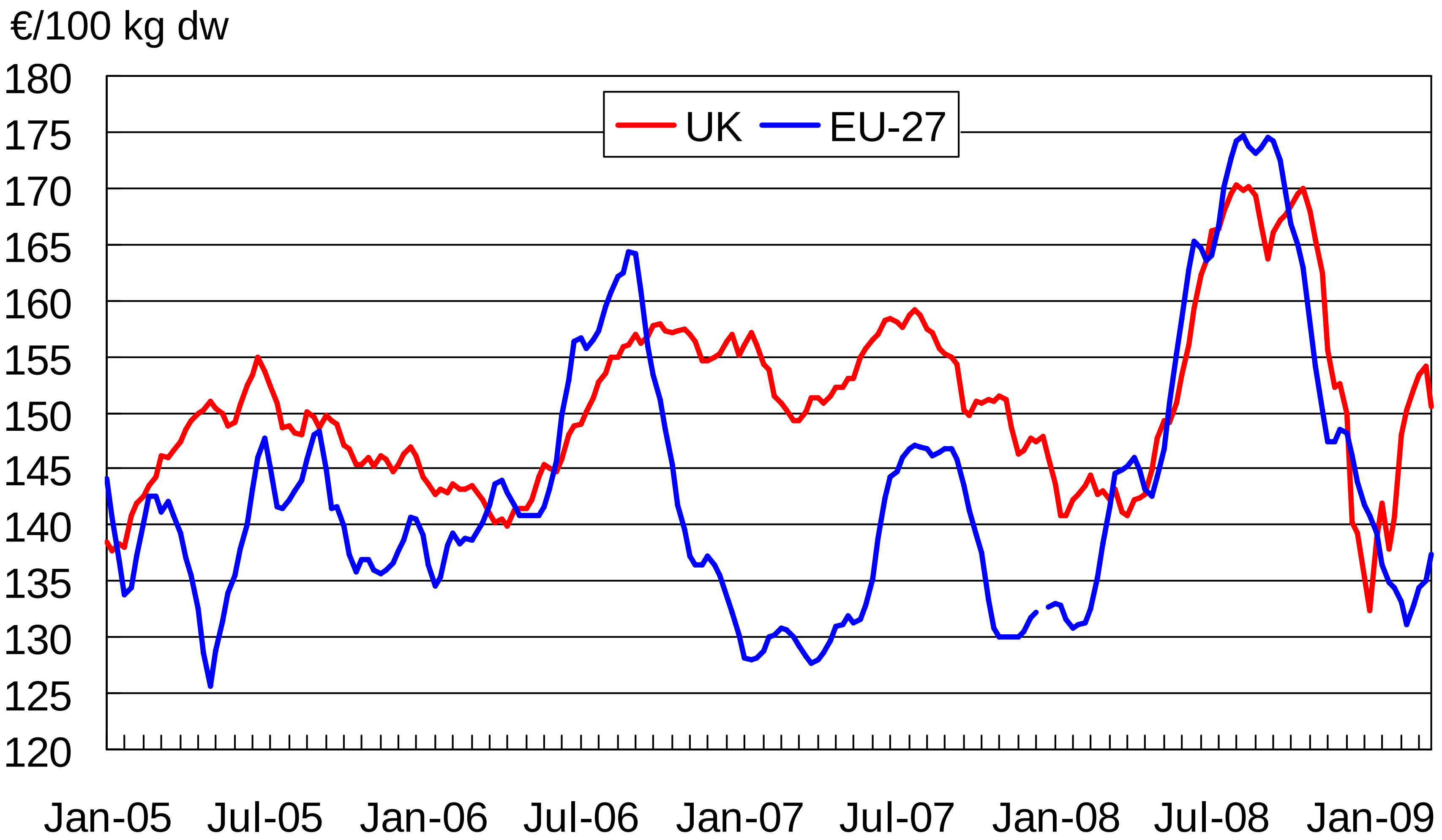
Impact of Exchange Rates

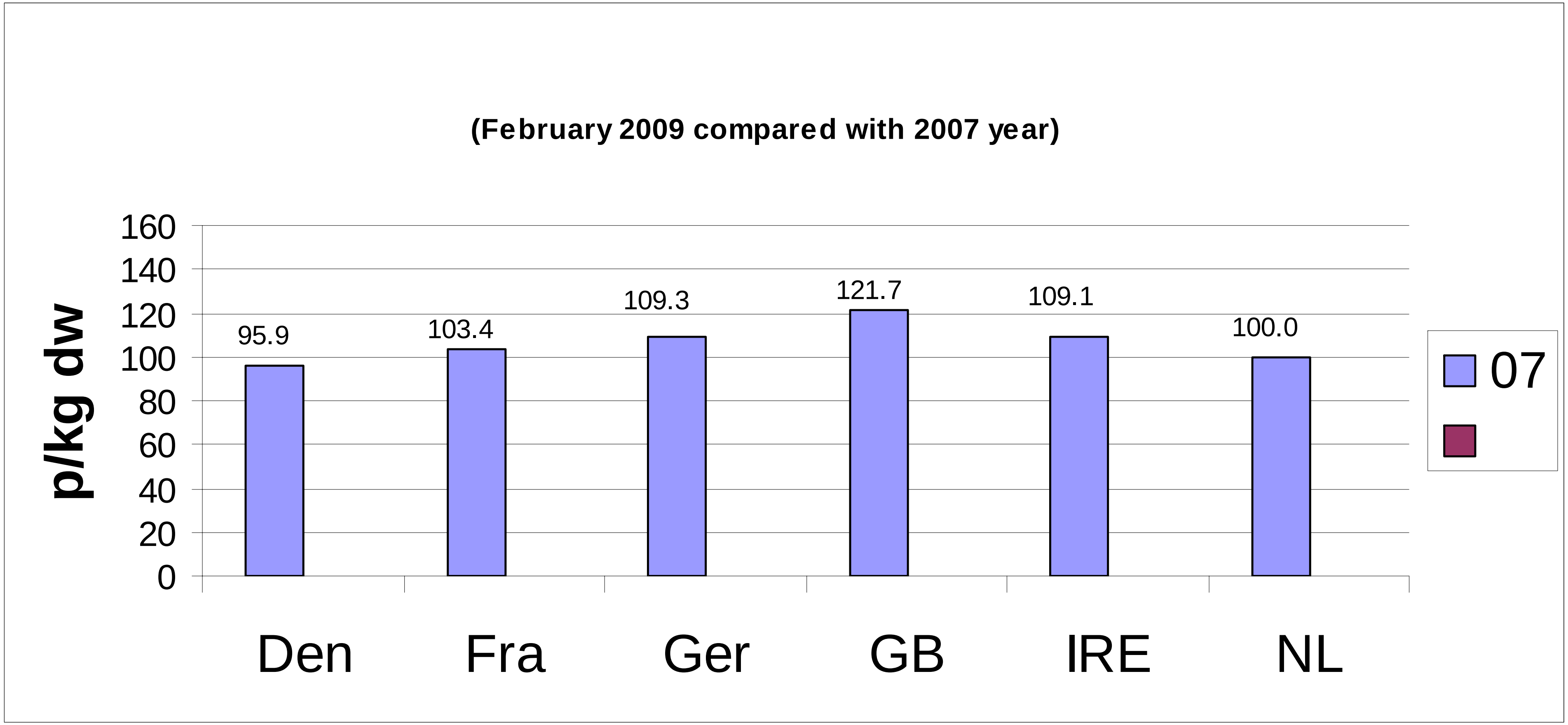
- Improved the competitive position of the UK regarding imports and exports
- Masks a substantial fall in Continental EU prices
- Negative impact on feed costs
- Positive impact on relative cost of production
- However, fundamental KPIs still not competitive

Exchange Rate Movements

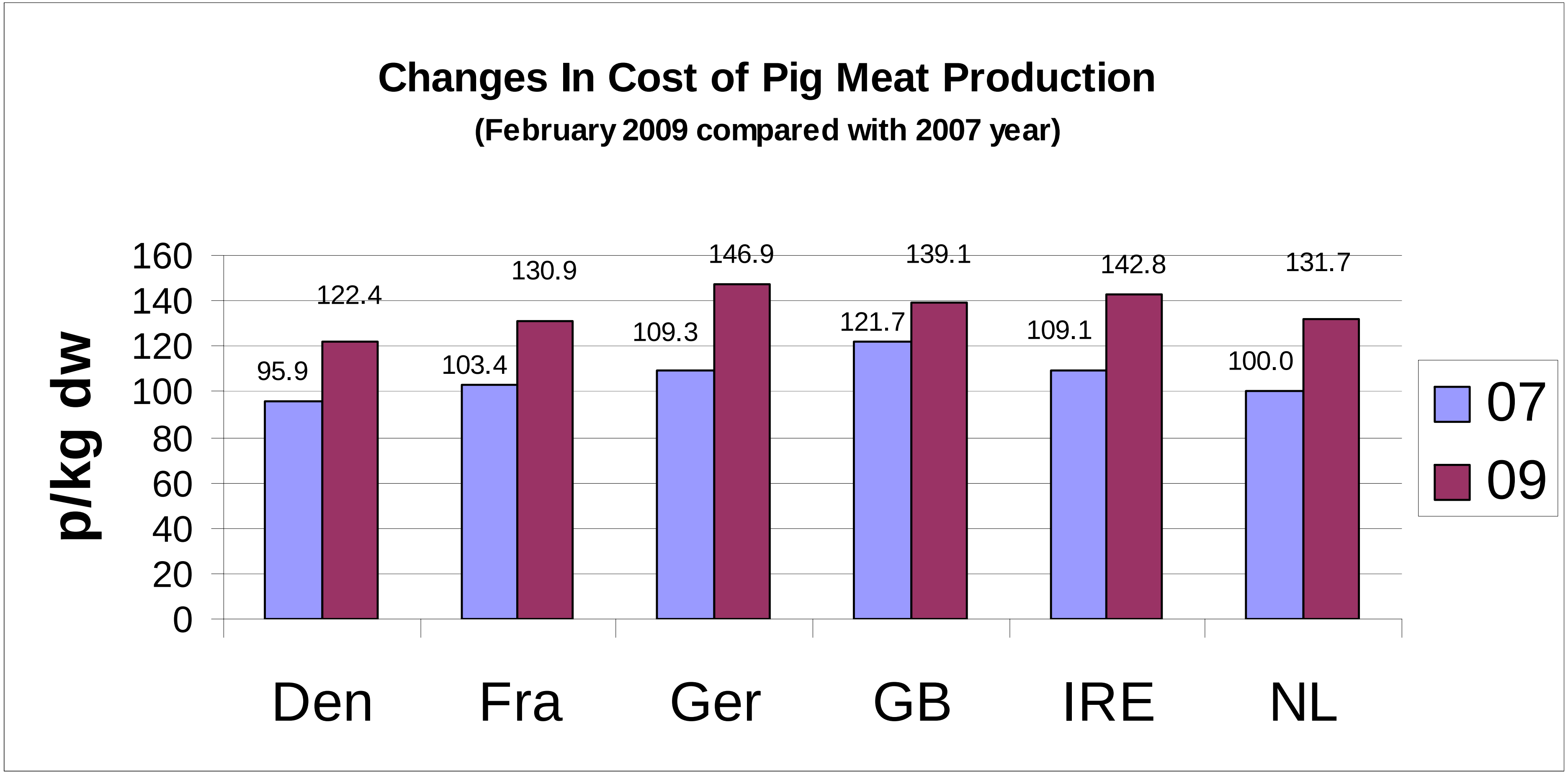


EU and UK Pigmeat Reference Prices in Euro



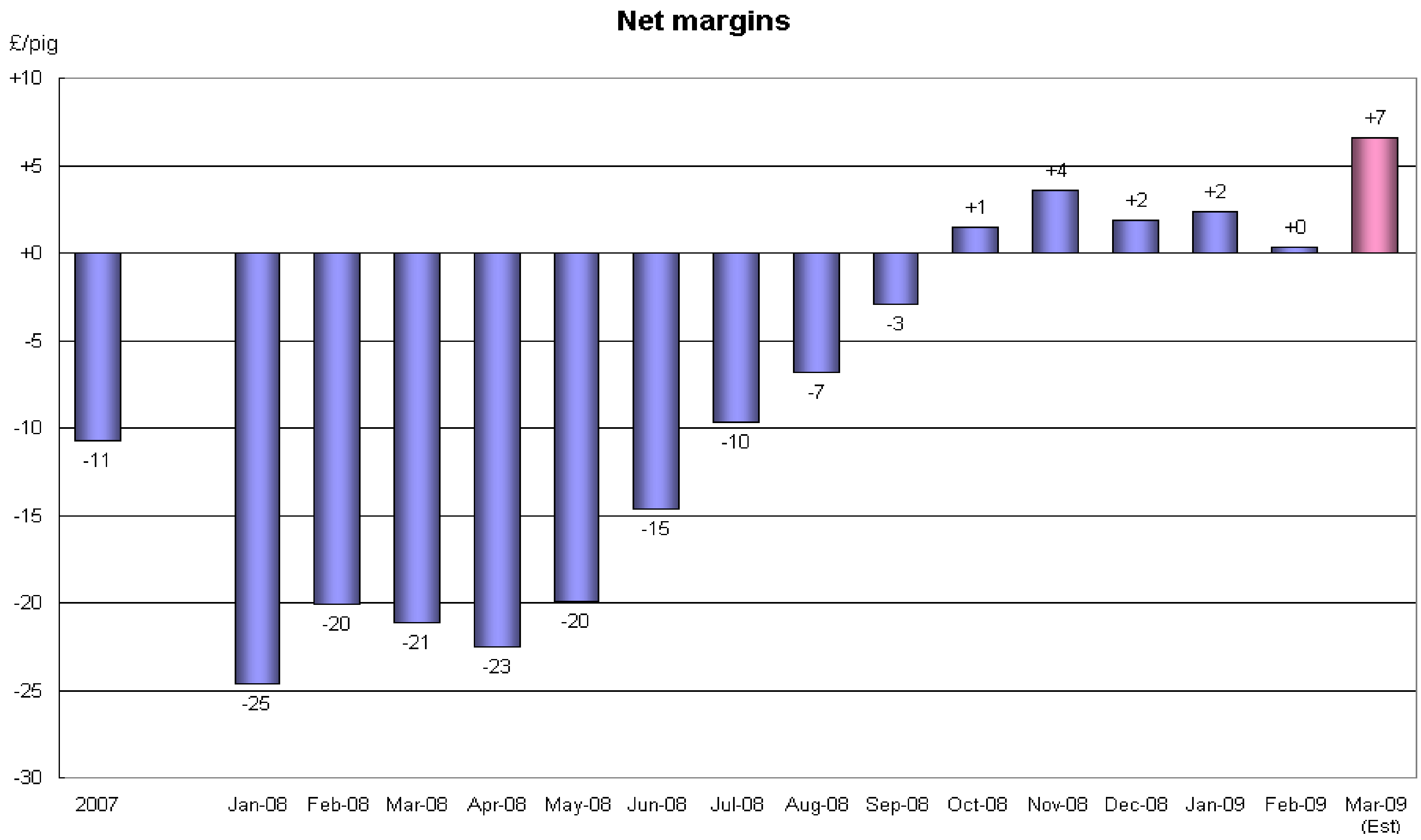


November 2008 costs converted at £1=€1.1



February 2009 costs converted at £1=€1.13

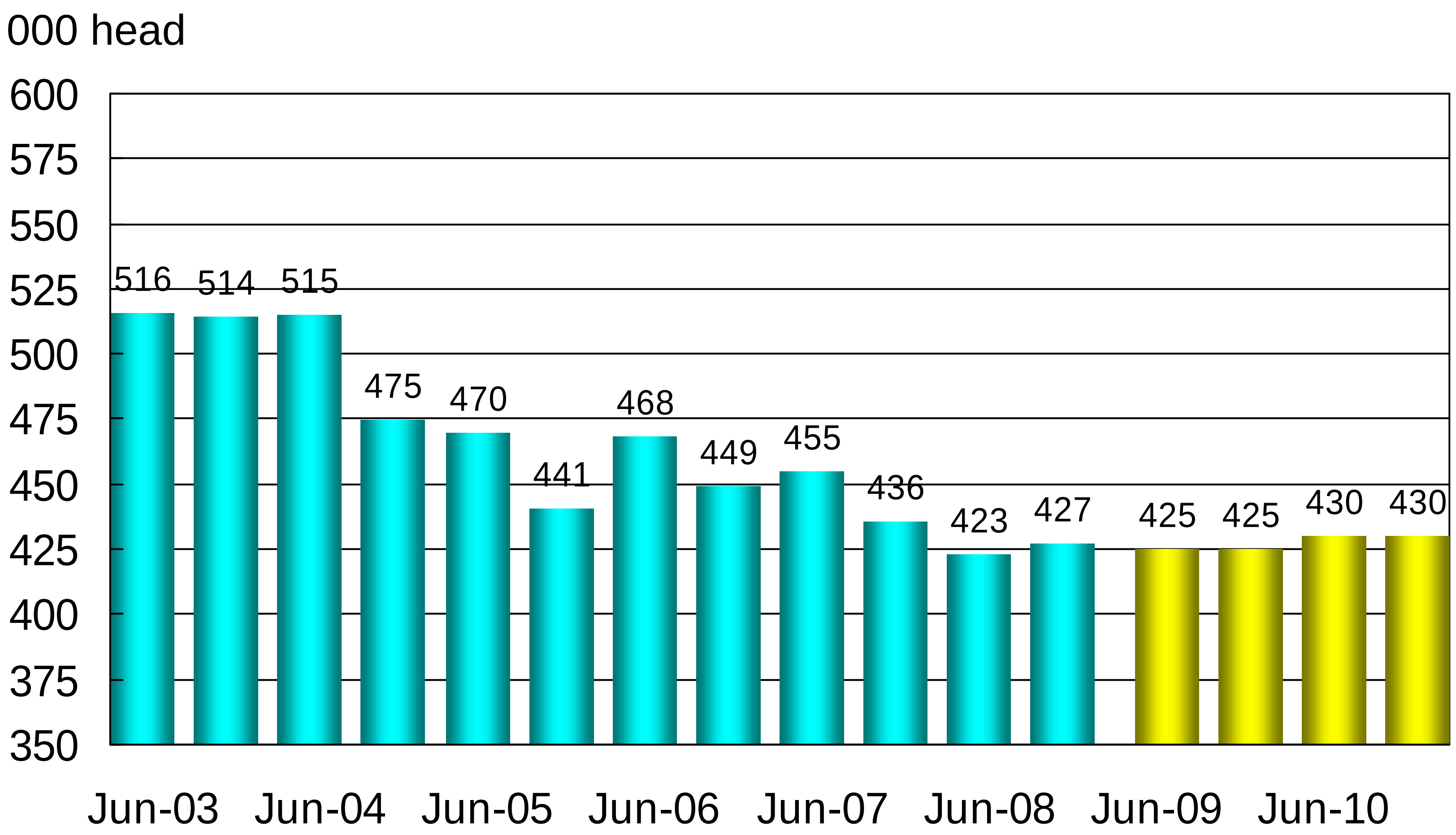
Net Producer Margins in the UK



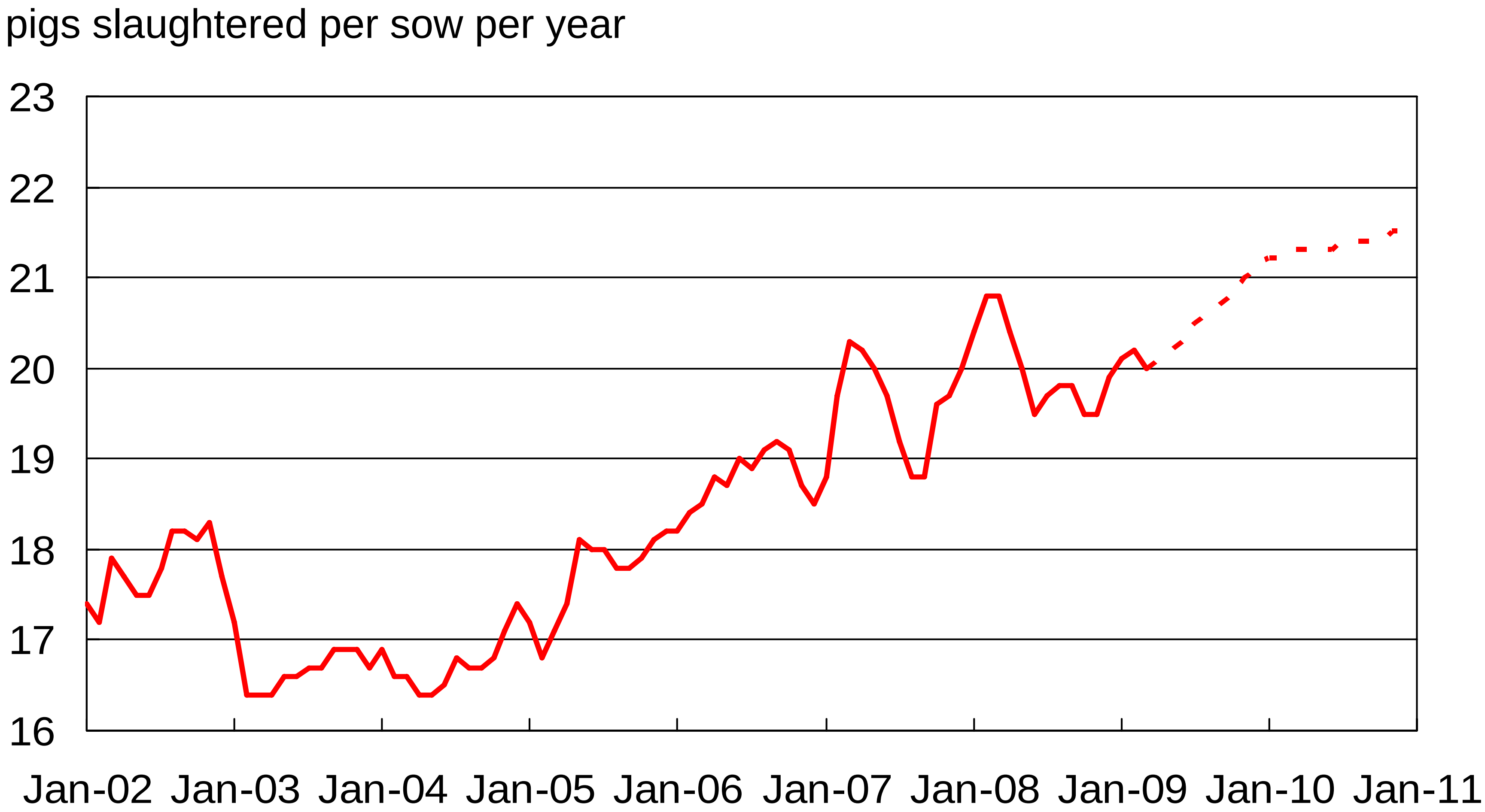
Outlook for 2009

- Breeding herd expected to be stable
- Sow productivity expected to continue to recover
- Some further rise in average carcase weights
- Overall slaughterings (-1.3%) and production (-1.6%) forecast to be lower than 2008

Breeding Herd Trends



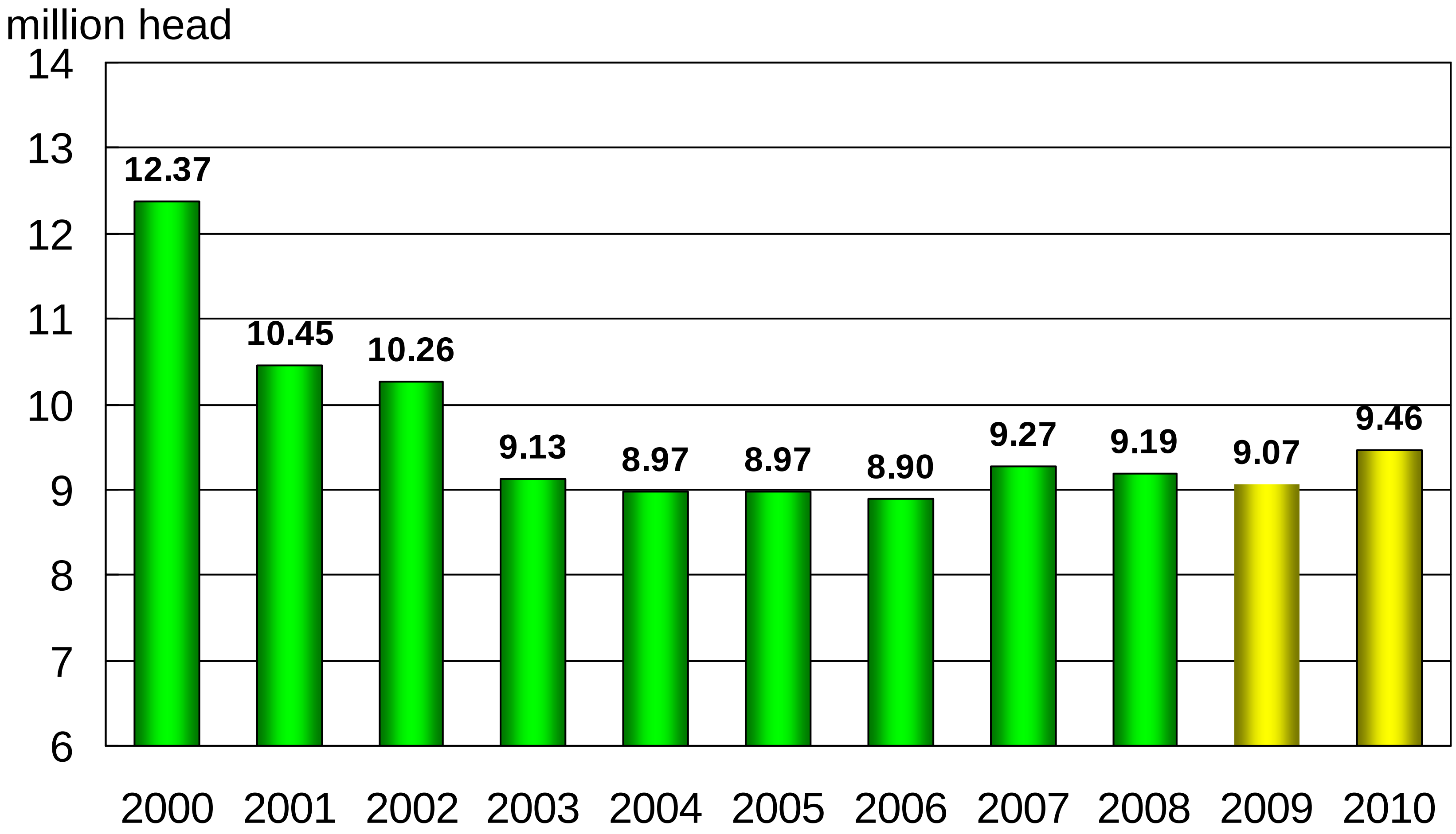
Estimated Sow Productivity Trends



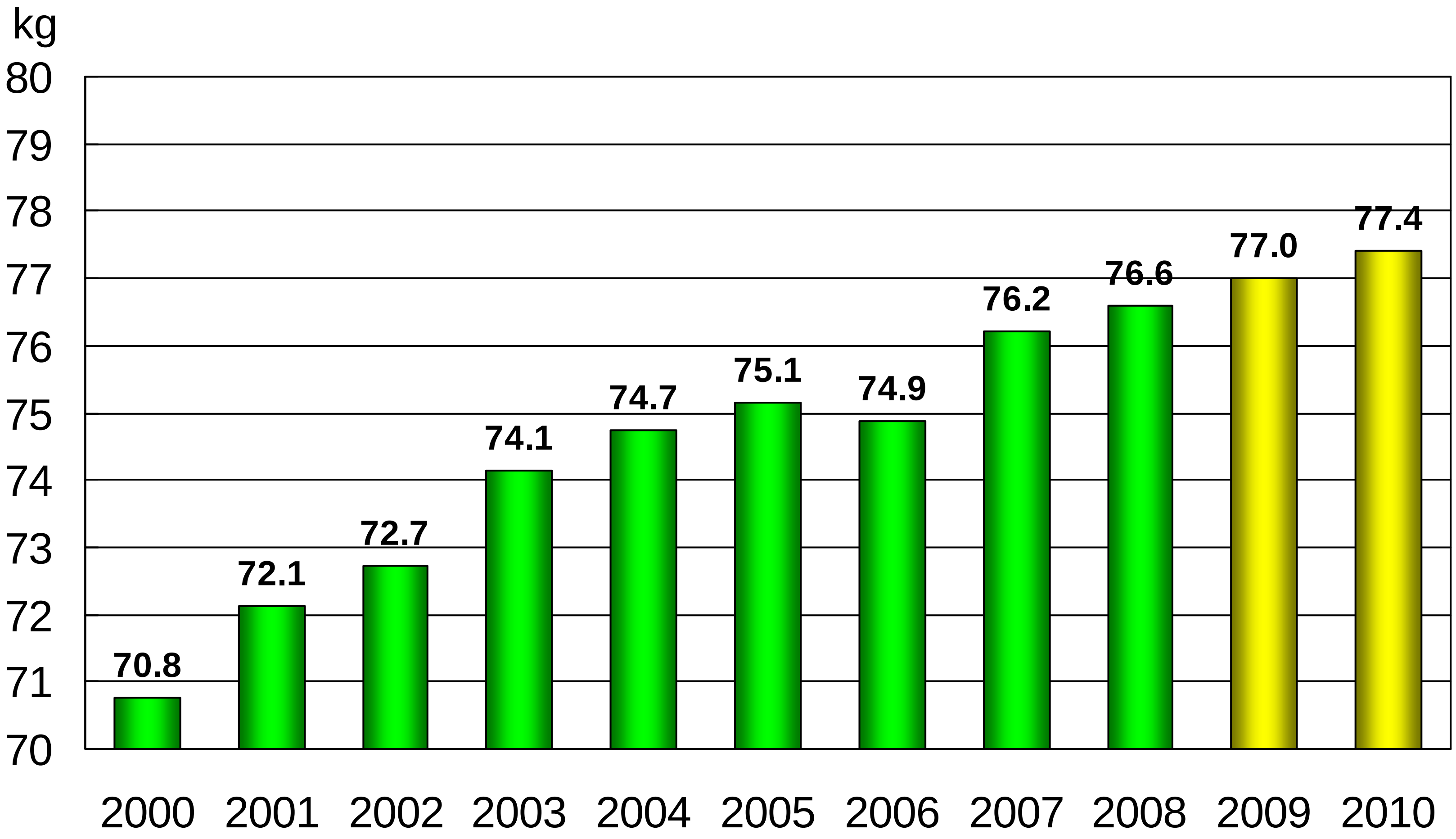
Quarterly Slaughterings Forecasts

	2008	2009		2010	
	000 head	000 head	% change	000 head	% change
Jan - Mar	2,311	2,150	-7.0	2,270	+5.6
Apr - Jun	2,252	2,180	-3.2	2,300	+5.5
Jul - Sep	2,294	2,300	+0.3	2,380	+3.5
Oct - Dec	2,334	2,440	+4.5	2,510	+2.9
Year	**9,192**	**9,070**	**-1.3**	**9,460**	**+4.3**

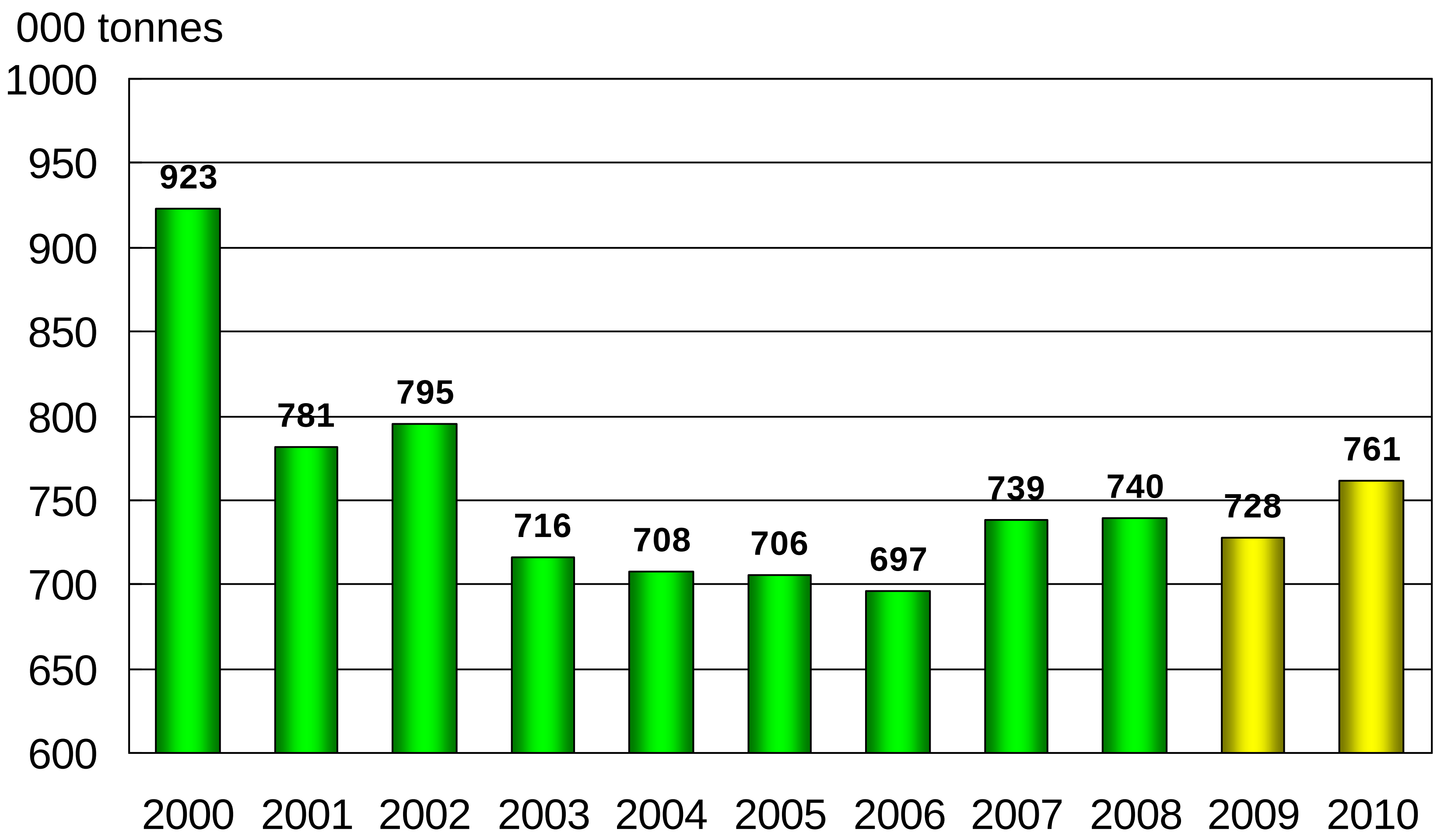
UK Clean Pig Slaughterings



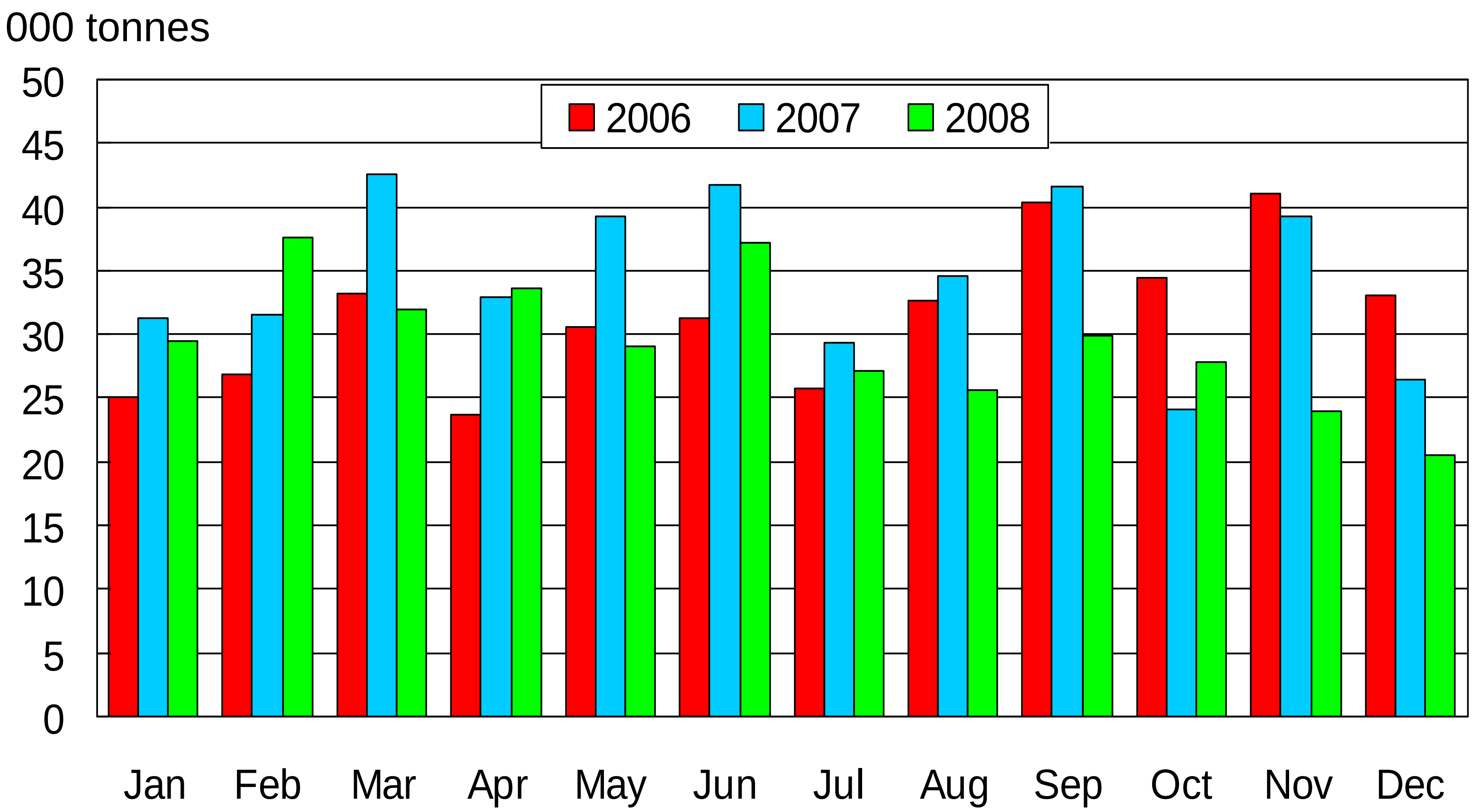
UK Clean Pig Carcase Weights



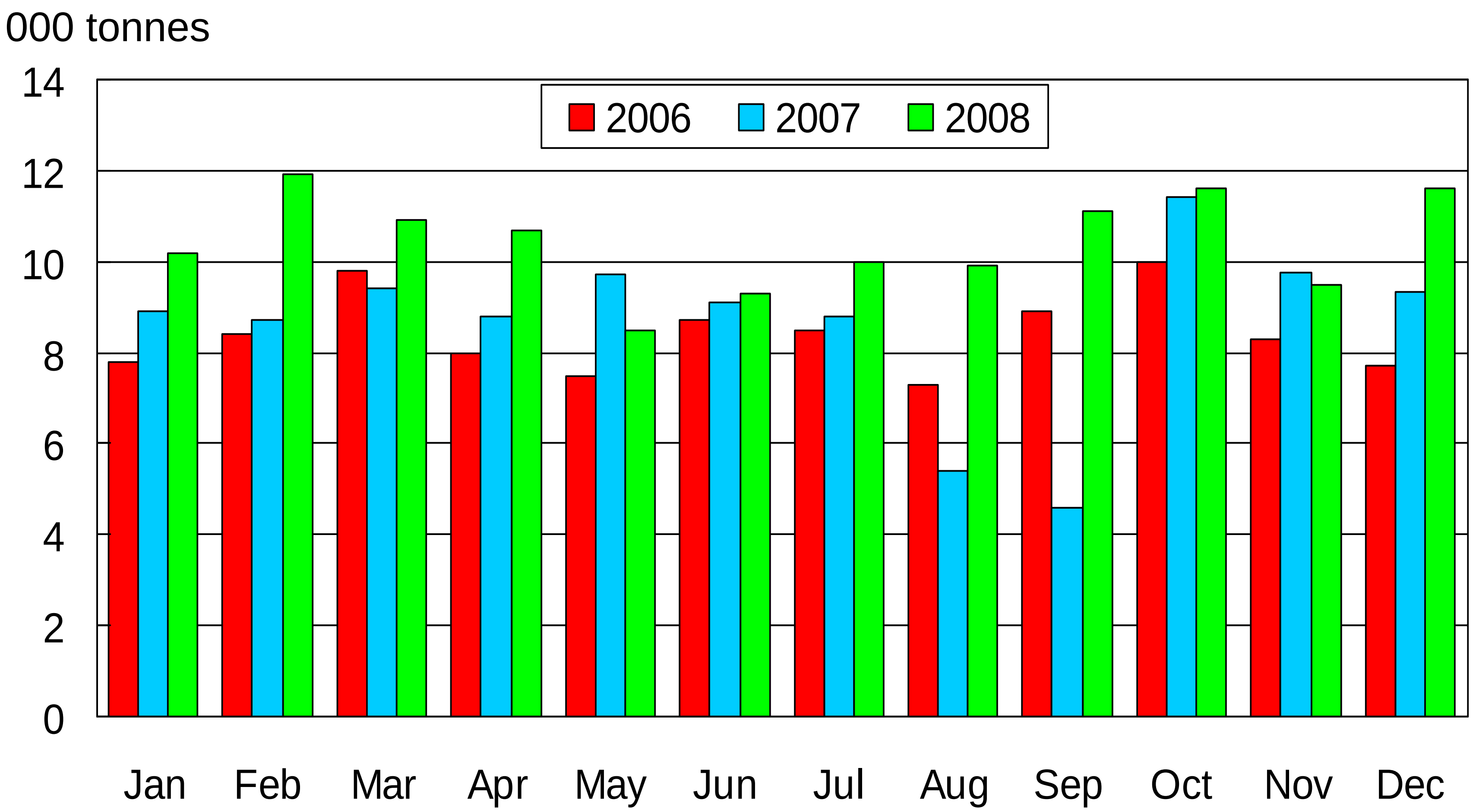
UK Pig Meat Production



Pork Imports
(excl pork imports for curing as bacon)



Pork Exports

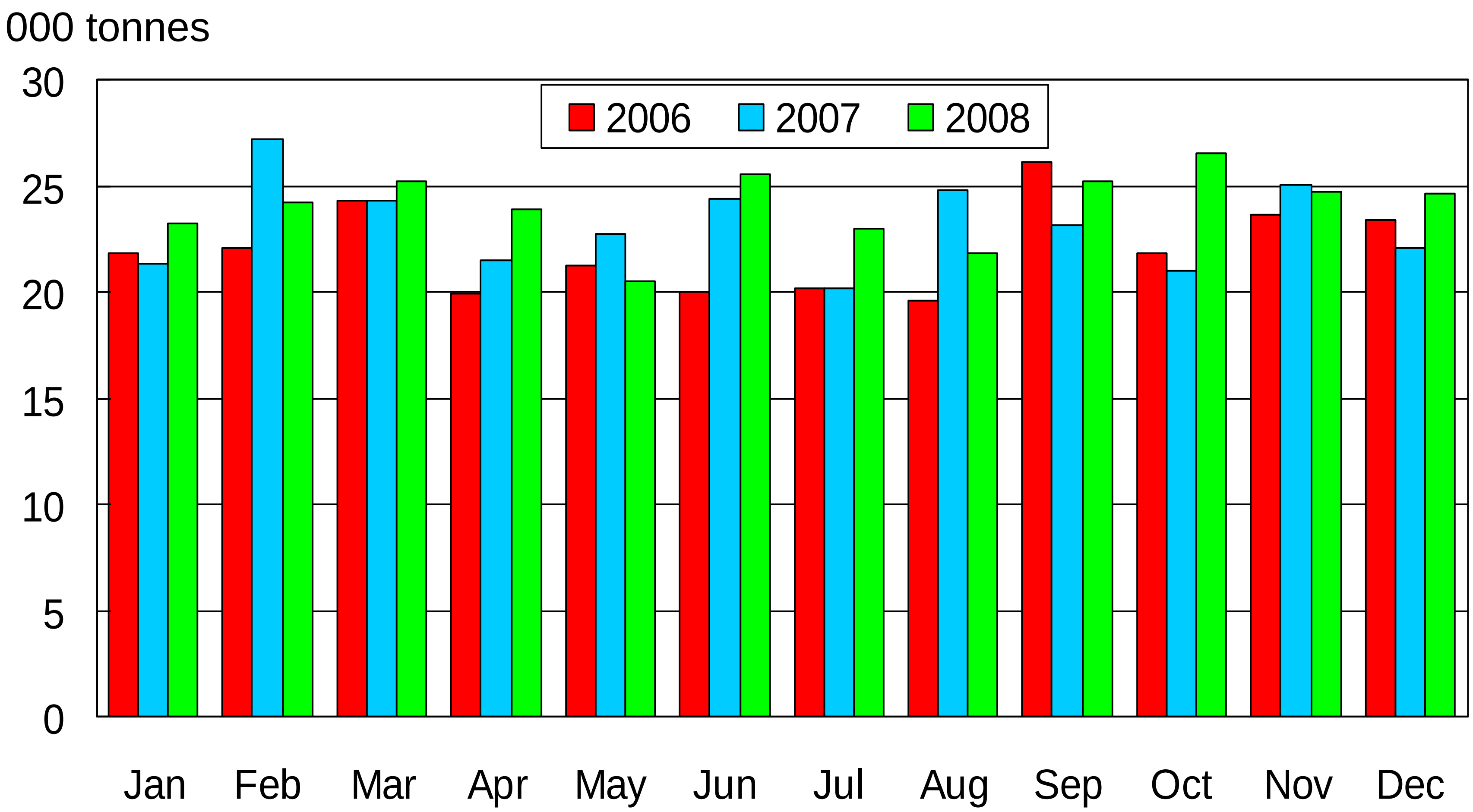


Pork Supply Balance

	2006	2007	2008	2009	2010
	000 tonnes				
Production	554	607	613	600	628
Imports (a)	378	415	354	330	324
Exports	101	104	125	120	130
Consumption	830	918	842	810	822
% imports	46%	45%	42%	41%	39%

(a) Excluding pork subsequently cured in the UK

Bacon Imports



Bacon Supply Balance

	2006	2007	2008	2009	2010
	000 tonnes				
Production	231	197	182	178	180
(from HK pigs)	(122)	(113)	(108)	(109)	(114)
(from imported pigs)	(109)	(84)	(74)	(69)	(66)
Imports	264	277	289	285	285
Exports	10	12	19	20	20
Consumption	484	462	452	443	445
% imports	55%	60%	64%	64%	64%

Conclusion and Key Points

- Demand remains very robust despite the recession, especially spending
- Feed costs moving higher….
- ….although considerably lower than a year ago
- Fuel and energy prices have declined from 2008 peak
- Sterling significantly weaker against the Euro…..
- …. also at a 23-year low against the US dollar
- Producer price holding up due to lower UK and EU supplies and exchange rate factors
- Producers moved into profit in late 2008
- Sow numbers expected to stabilise in 2009
- Sow productivity continuing to increase