



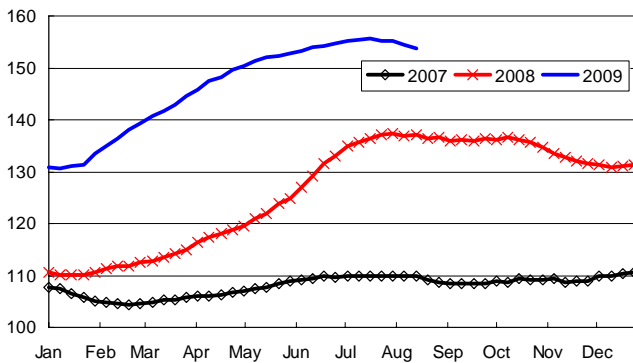
United Kingdom Pig Meat Market Update

August 2009

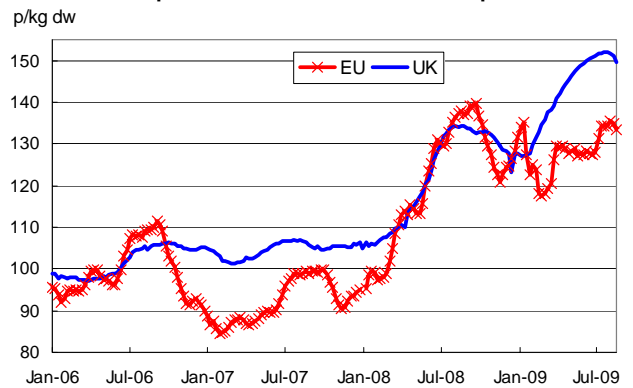
UK PRICES

- UK pig prices rose to their highest ever level in July. The previous record price was 155.1p achieved in the week ended 13 July 1996, in the aftermath of BSE. Although prices continued to increase, the upward growth in pig prices began to lose momentum. Weekly abattoir throughputs have been increasing, and the wide gap between home killed and imported pig meat prices has also impacted on demand for British pigs.
- In the week ended 18 July the DAPP peaked at 155.6p/kg dw, 15 per cent higher than a year earlier but just 1p more than in mid-June. Prices have subsequently fallen, in part because of the impact of bad weather on barbecue demand, and in the week ended 15 August the DAPP stood at 153.7p.

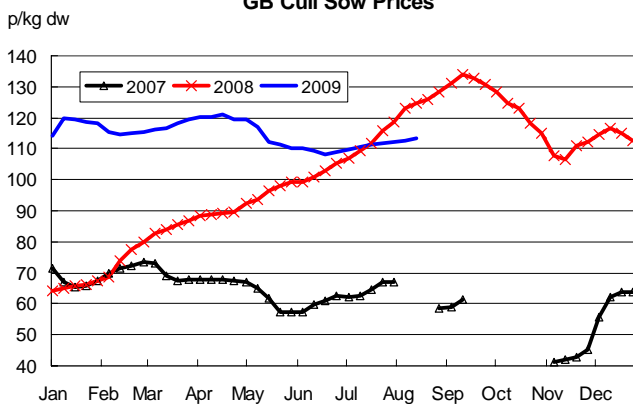
GB Finished Pig Prices



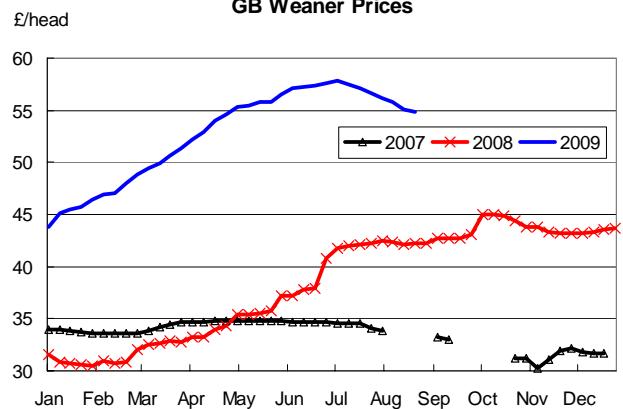
Comparison of UK and EU reference prices



GB Cull Sow Prices



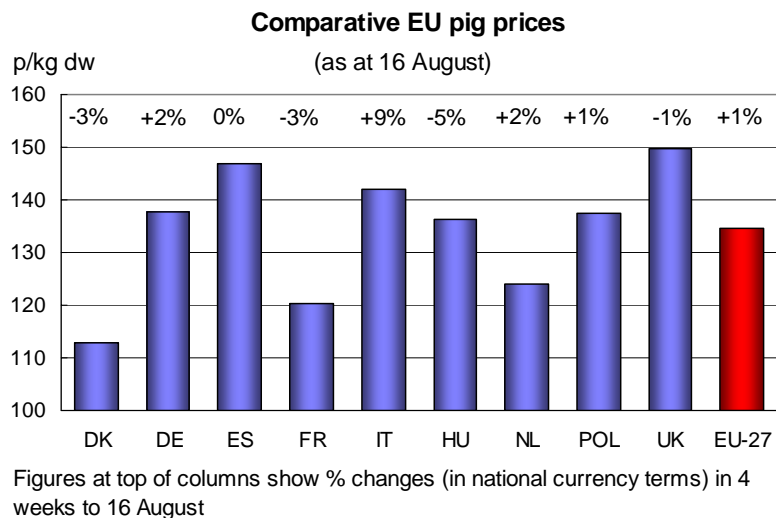
GB Weaner Prices



- Average carcase weights have been unusually steady this year, fluctuating within a narrow range of 77.0kg to 78.5kg. Carcase weights in the first quarter of the year were lower than in the same period of 2008 due to the residual effects of FMD restrictions which led to delays in marketing. Since April average weights have been higher than in last year. The difference was especially marked in June and July, as so far there have been no seasonal reductions – which usually result from the impact of warmer weather on growth rates.

EU PRICES

- Some European prices fell unexpectedly in early July after German meat traders forced a sharp reduction in their domestic prices. This caused Dutch, Belgian and Austrian prices down also. Spanish prices, on the other hand, increased sharply due to tourist demand and a buoyant export market. Between mid-July and mid-August the overall EU price has been fairly steady.
- In the week ended 16 August the EU-27 reference price averaged one per cent more than four weeks earlier. The overall price was 10 per cent lower than a year earlier in Euro terms but, due to the decline in the sterling exchange rate, was down just two per cent in sterling terms.
- There has been a wide range of UK price premia over EU prices (weighted by UK imports) over the past three years. In March and April the premium fluctuated within a 22-27p range, but it increased further in May and June, reaching a peak of 32p in the week ended 21 June. Since early July the premium has mainly been in the 28-29p range.

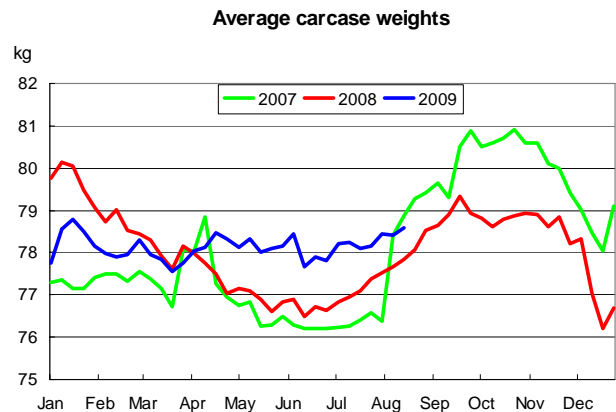
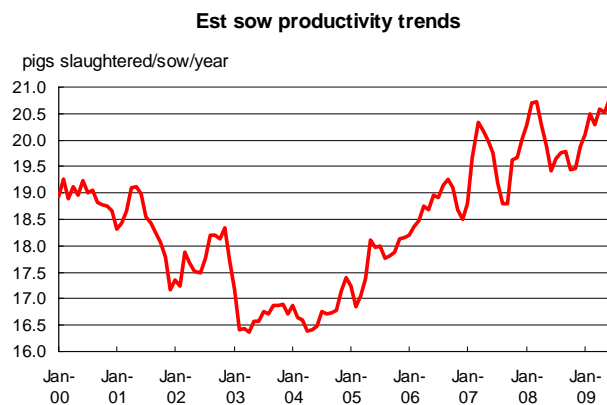
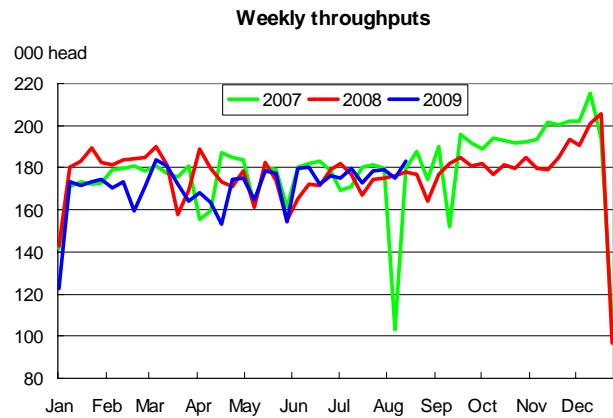
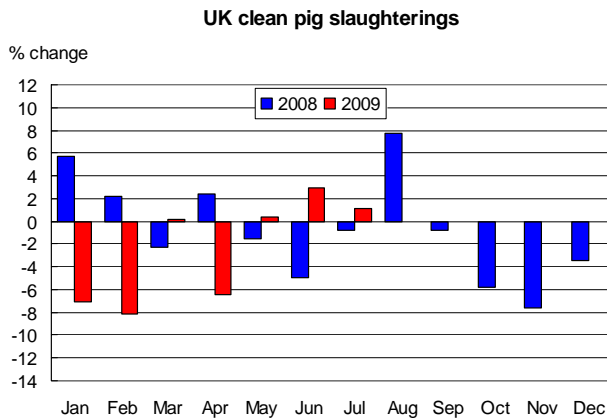


UK SLAUGHTERINGS AND PRODUCTION

- Slaughterings in June rose above year earlier levels. Average weekly slaughterings, at 177,000, were the highest so far in 2009 and three per cent more a year earlier. However, lower slaughterings earlier in the year meant that cumulative clean pig slaughterings in

January-June, at 4.40 million, were still three per cent lower than in 2008. Sow productivity (defined as the relationship between slaughtering and the lagged breeding herd) has been increasing for much of 2009, and in June is estimated to have been six per cent higher than a year earlier.

- Weekly throughputs were unchanged, at 177,000, during July. At this level, they were just one per cent higher than a year earlier.

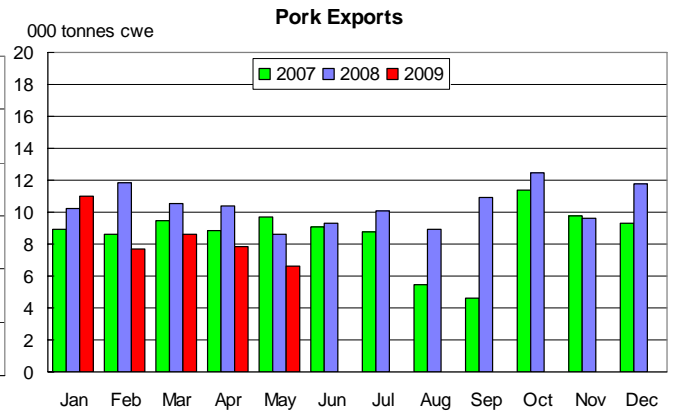
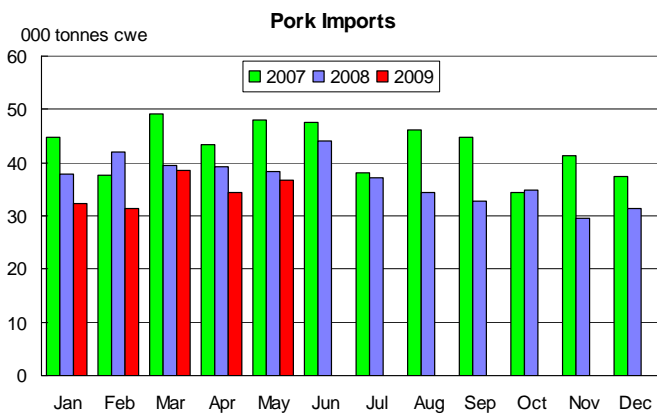


UK TRADE

- The weakness of sterling through to April made imported product less competitive, and as a result total pork imports were significantly lower in the first four months of 2009. Sterling strengthened against the Euro in May and June, and this is likely to lead eventually to an increase in import volumes. However, the most recent trade data, for May, indicates that this effect had yet to happen, with total pork imports still four per cent lower than a year earlier. This is likely to have been because May trade was largely based on contracts made when sterling was weaker.
- Total pork imports in January–May amounted to 155,300 tonnes, 12 per cent lower than a year earlier. Imports from the Netherlands (21,000 tonnes) were up 25 per cent but there was a 33 per cent decline in shipments from Denmark (48,000 tonnes). Danish slaughter production is declining, in part due to an increasing live export trade. Imports from Belgium

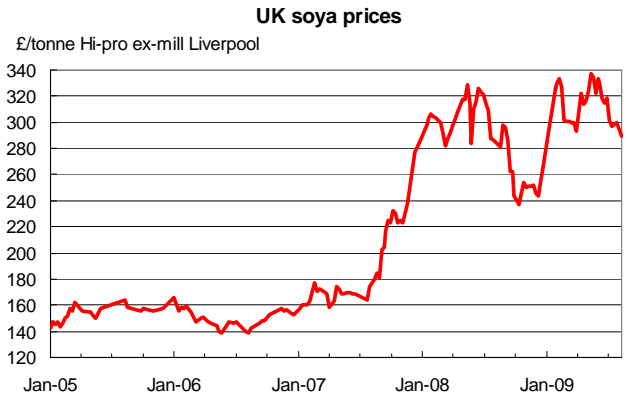
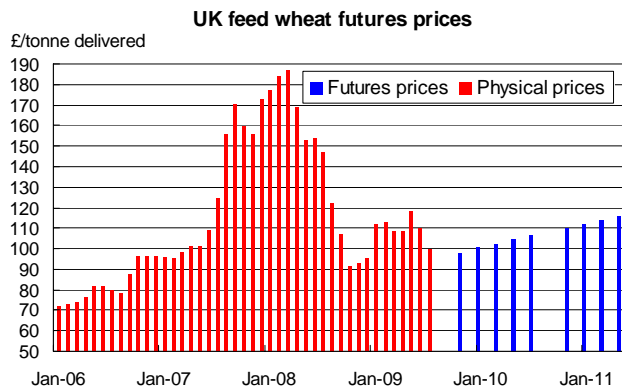
(17,000 tonnes) have been increasing in recent months, and in January–May were up 24 per cent.

- Exchange rate fluctuations have not affected bacon trade in the same way as pork as consumer demand for bacon has been relatively strong. In the first five months of 2009, bacon imports totalled 128,000 tonnes, nine per cent higher than in 2008, Imports from the Netherlands (49,000 tonnes) were 10 per cent lower but there was a 32 per cent increase in supplies from Denmark (57,000 tonnes).



FEED PRICES

- UK delivered wheat prices fell further in July and early August. In the week ended 14 August the price in eastern England averaged £91/tonne, 27 per cent lower than a year earlier.
- Futures prices have continued to decline as good progress in the EU harvest and falling US markets weigh on LIFFE prices. The LIFFE Nov. 2009 price hit a new low on Tuesday 18 August, with prices closing at £96.25/tonne. November 2010 prices closed at £109.75/tonne.
- USDA August forecasts indicate that global wheat production in 2009/2010 is expected to fall by three per cent; but this would still be eight per cent higher than the disappointing crop of 2007/2008. The 2009 harvest in the US is expected to be 13 per cent lower than the previous year with a decline of 10 per cent in the EU.



- Soyabean prices in the US have fallen as a result of speculative technical selling and bearish outside influences. The expectations of a record US soyabean crop have also contributed to the downward pressure. The USDA estimates US soyabean production at 87 million tonnes, slightly lower than earlier estimates (88.7Mt July), but still greatly over the previous season's production of 72 million tonnes. Ex-mill prices in Liverpool averaged £290/tonne in mid-August, down from £330 two months earlier.

CONSUMPTION

- Retail pork sales in volume terms were down two per cent compared with a year earlier in the four weeks ended 12 July. However, higher average prices (+3%) meant that expenditure was up by one per cent. Purchases of roasting joints were lower although chops (+6%) and steaks (+9%) performed relatively well.
- Despite the small decline in pork sales, they have held up better than other red meat sales. Beef purchases were down by 10 per cent in the latest period while lamb purchases were 21 per cent lower.
- Demand for bacon has been relatively strong since the spring. In the latest 4-week period the volume of purchases was eight per cent higher than a year earlier. The average unit price was down five per cent, leading to an increase of three per cent in expenditure.

Trends in retail meat purchases (period ended 12 July)

	4 weeks 2009/08			12 weeks 2009/08			52 weeks 2009/08		
	Q	E	P	Q	E	P	Q	E	P
% change compared with a year earlier									
Fresh and frozen meat	-2	+1	+2	-1	+4	+4	-2	+8	+10
Pork	-2	+1	+3	+0	+6	+6	-2	+8	+10
Bacon	+8	+3	-5	+6	+4	-2	+1	+11	+10
Beef	-10	-2	+8	-5	+2	+8	-4	+8	+14
Lamb	-21	-13	+10	-15	-7	+9	-7	+2	+9
Poultry	+3	+5	+2	+2	+6	+4	-0	+8	+8
Sausages	+4	+8	+4	+2	+8	+5	+2	+11	+9
Burgers	+0	+13	+13	-1	+11	+13	+1	+10	+9
Ham	+6	+10	+3	+2	+5	+3	-2	+6	+8
Total Sausage Rolls	+3	+1	-2	-3	-3	-1	-3	+1	+4
Pork/Cold Eating Pies	+13	+17	+3	+10	+11	+1	+2	+4	+2
Total Hot Pies	-6	-7	-1	-2	-0	+2	-1	+3	+4
Total processed products (prod wt)	+1	+8	+7	-1	+6	+7	-2	+5	+7
Pig meat	+3	+9	+6	0	+5	+5	-0	+6	+7
Beef	-1	+9	+11	-4	+7	+11	-4	+6	+11
Poultry meat	-0	+7	+7	+1	+6	+6	-2	+3	+5

Q = quantity purchased, E = expenditure, P = price

- Source: Taylor Nelson Sofres

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The United Kingdom pig meat situation and outlook is analysed in more detail in "Pig Market Trends", published monthly. For further information contact: Jo Stanton on +44 (0)2476 478850 or e-mail: jo.stanton@ahdbms.org.uk

Further detailed information on pig supplies, production, prices and forecasts can be found at <http://www.mlceconomics.org.uk>

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