



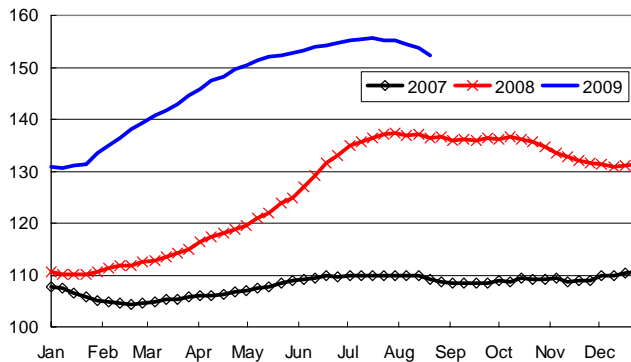
## United Kingdom Pig Meat Market Update

September 2009

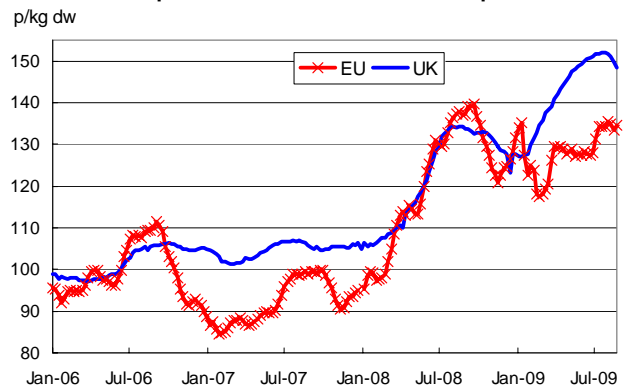
### UK PRICES

- 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 23 August the DAPP stood at 152.3p. The increasing number of pigs for sale in August mainly went on the spot market, and consequently contract pig prices held up rather better than spot prices.

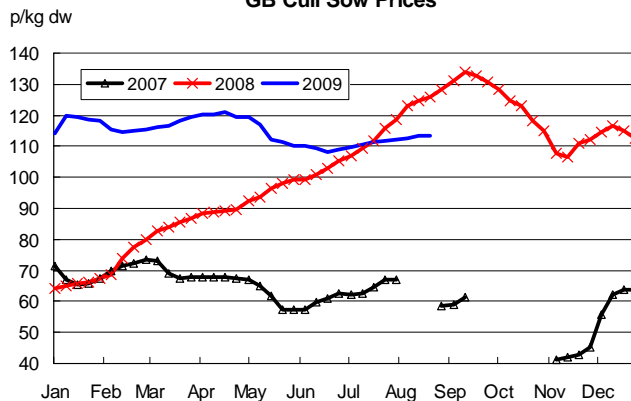
GB Finished Pig Prices



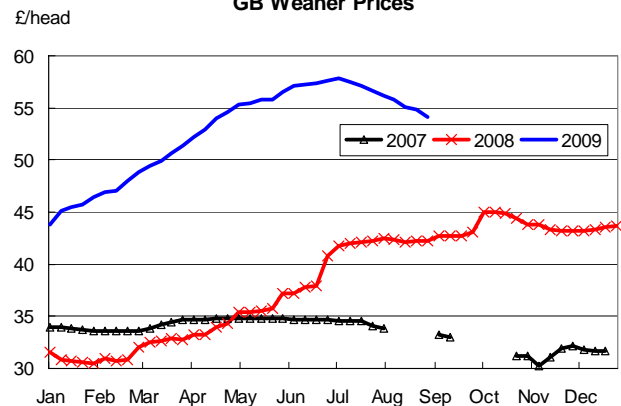
Comparison of UK and EU reference prices



GB Cull Sow Prices



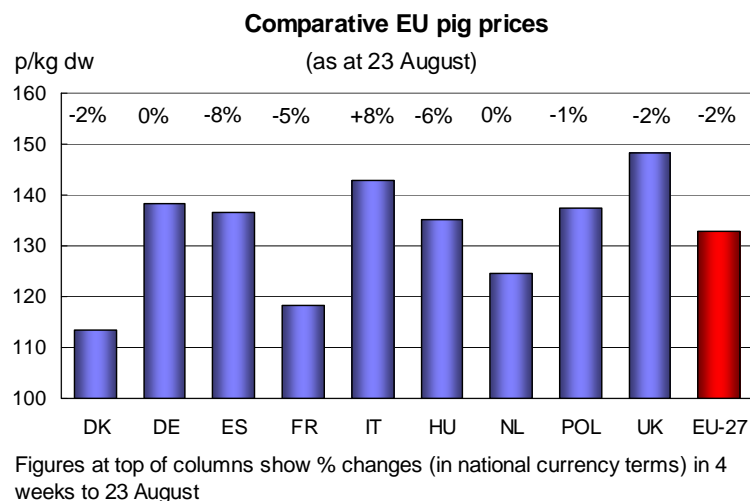
GB Weaner Prices



- In line with the finished market, weaner prices have also weakened since mid-July. In the week ended 29 August the average price for a 30kg weaner was £54.09. In contrast there has been a stronger tone to the sow trade over the last month and by week ended 22 August the average export price was 113.3p per kg dw, the highest since the beginning of May. Lack of sow numbers in the UK is driving the increase in price rather than any increase in Continental demand.

## 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. Between mid-July and mid-August the overall EU price has been fairly steady, although prices moved lower in the second half of the month.
- In the week ended 23 August the EU-27 reference price averaged two per cent less than four weeks earlier. Spanish prices fell particularly sharply, down by eight per cent, with the decline in the number of British tourists reported to be a major cause of the weaker market.. The overall price was 11 per cent lower than a year earlier in Euro terms but, due to the decline in the sterling exchange rate, was down just three 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, although it fell back to 26p in the week ended 23 August.

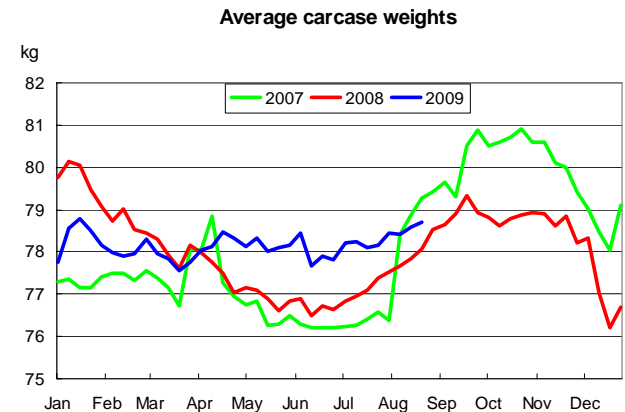
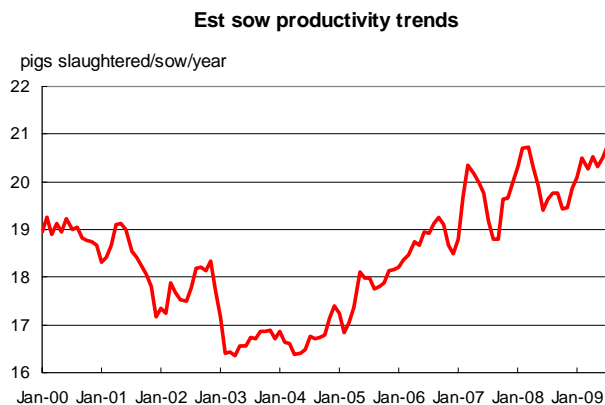
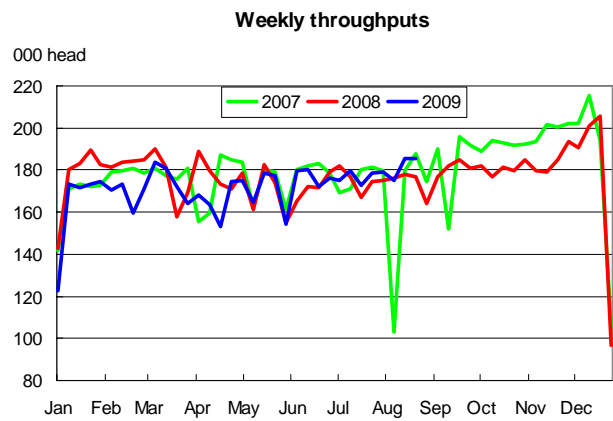
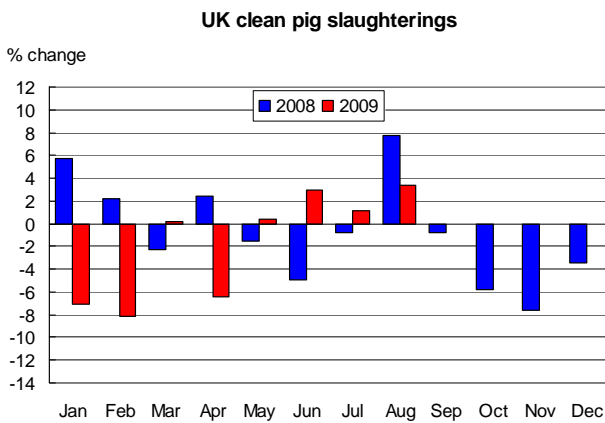


## UK SLAUGHTERINGS AND PRODUCTION

- 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,

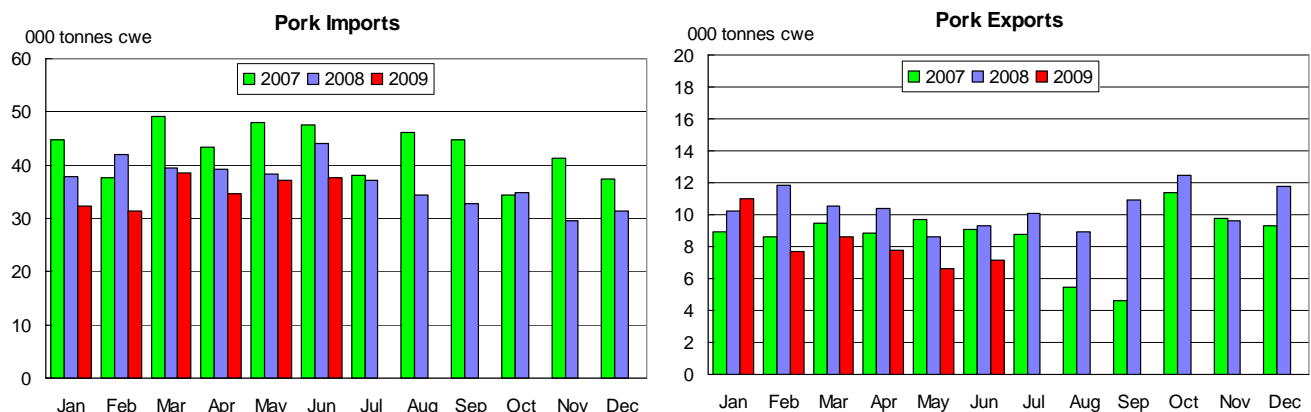
lower slaughtering earlier in the year meant that cumulative clean pig slaughtering in January-June, at 4.40 million, were still three per cent lower than in 2008.

- Sow productivity (defined as the relationship between slaughtering and the lagged breeding herd) has been increasing for much of 2009, and in July 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. There was an increase in throughputs during the first three weeks of August and preliminary forecasts for the month indicate they averaged 180,000 a week, three per cent up on August 2008.
- Average carcass weights have been unusually steady this year, largely fluctuating within a narrow range of 77.0kg to 78.5kg. Carcass 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 last year. The difference was especially marked in June and July, as there were no seasonal reductions – which are usually due to the impact of warmer weather on growth rates.



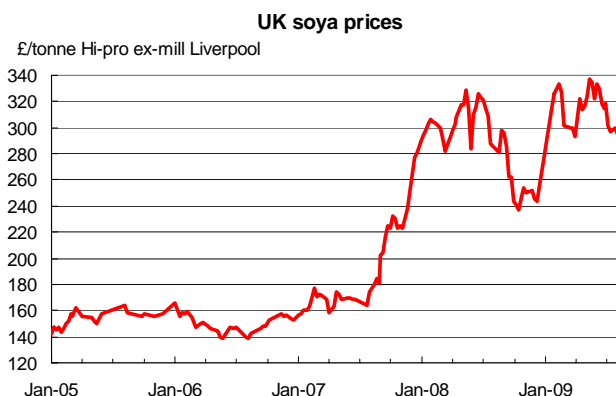
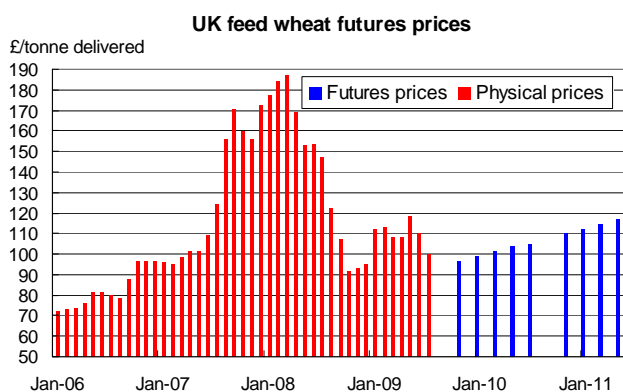
## UK TRADE

- 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 June, indicates that this effect had yet to happen, with total pork imports still 12 per cent lower than a year earlier.
- Total pork imports in January–June amounted to 189,400 tonnes, 12 per cent lower than a year earlier. Imports from the Netherlands (25,000 tonnes) were up 18 per cent but there was a 32 per cent decline in shipments from Denmark (58,000 tonnes). Danish slaughter production is declining, in part due to an increasing live export trade. Imports from Belgium (22,000 tonnes) have been increasing in recent months, and in January–June were up 21 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 six months of 2009, bacon imports totalled 155,000 tonnes, nine per cent higher than in 2008. Imports from the Netherlands (57,000 tonnes) were 11 per cent lower but there was a 27 per cent increase in supplies from Denmark (70,000 tonnes).



## FEED PRICES

- UK delivered wheat prices fell further in July and August. In the week ended 21 August the price in eastern England averaged £88/tonne, 29 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. Ex-mill prices in Liverpool averaged £289/tonne in late August, down from £330 two months earlier.

## CONSUMPTION

- Retail pork sales in volume terms were down three per cent compared with a year earlier in the four weeks ended 9 August. However, slightly higher average prices (+2%) meant that expenditure was unchanged. Purchases of chops were particularly buoyant (+12%) and steak purchases also remained higher than last year although belly and roast purchases were down.

### Trends in retail meat purchases (period ended 9 August 2009)

	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									
<b>Fresh and frozen meat</b>	<b>+4</b>	<b>+3</b>	<b>-1</b>	<b>+1</b>	<b>+3</b>	<b>+2</b>	<b>-1</b>	<b>+8</b>	<b>+9</b>
Pork	-3	-0	+2	-1	+3	+4	-2	+7	+9
<i>Belly</i>	-8	-6	+2	-6	+1	+7	-6	+10	+17
<i>Chops</i>	+12	+10	-2	+6	+7	+1	-6	+6	+14
<i>Steak</i>	+3	+5	+2	+8	+10	+1	+9	+12	+2
<i>Roasting joints</i>	-8	-6	+2	-8	-7	+1	-6	+2	+8
Bacon	+12	+5	-7	+8	+3	-4	+2	+10	+8
Beef	+8	+5	-3	-2	+2	+4	-3	+8	+12
Lamb	-17	-10	+8	-16	-8	+9	-8	+1	+10
Poultry	+4	+5	+1	+3	+6	+3	+1	+8	+7
<b>Processed products</b>									
Pork Sausages	+8	+10	+2	+4	+8	+4	+4	+12	+8
Fresh Pre-packed Pork Pies	+7	+8	+1	+8	+10	+1	+0	+3	+3
Fresh Pre-packed Sausage Rolls	+5	+2	-3	+0	-3	-3	-1	+2	+3
Pork Chilled Ready Meals	+5	+3	-1	-9	-1	+9	-11	-9	+3
Pork Sliced Cooked Meats	-4	-3	+1	+2	+4	+2	-1	+5	+6

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

Source: Taylor Nelson Sofres

- Demand for bacon has been relatively strong since the spring. In the latest 4-week period the volume of purchases was 12 per cent higher than a year earlier. The average unit price was down seven per cent, leading to an increase of five per cent in expenditure.
- Despite poor weather during much of the summer, which might be expected to impact negatively on barbecue demand, purchases of sausages have remained high, increasing by eight per cent in the latest period. Purchases of pork pies and sausage rolls were also higher than a year earlier.

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

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