United Kingdom Pig Meat Market Update

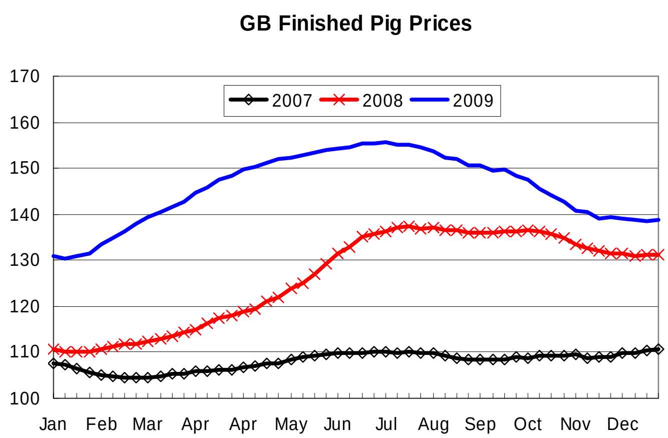
January 2010

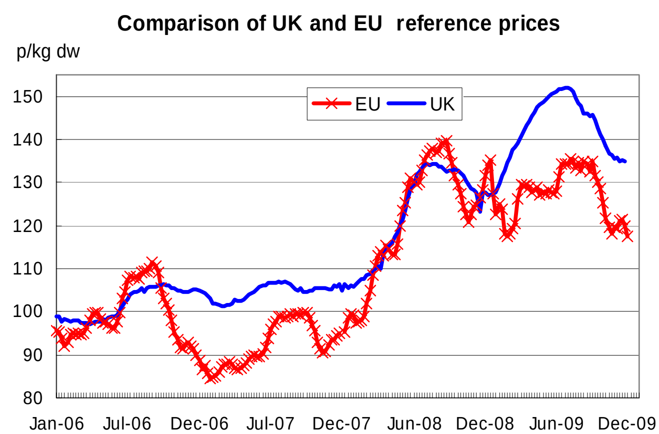
UK PRICES

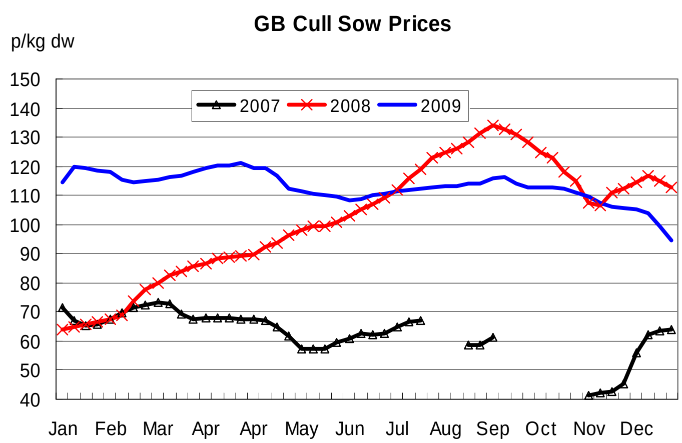
- The rate of reduction in the DAPP slowed during December and finished the year at 138p/kg. In week ended 2 January 2010 the DAPP reduced by half a penny, six per cent higher than at the start of January 2009.

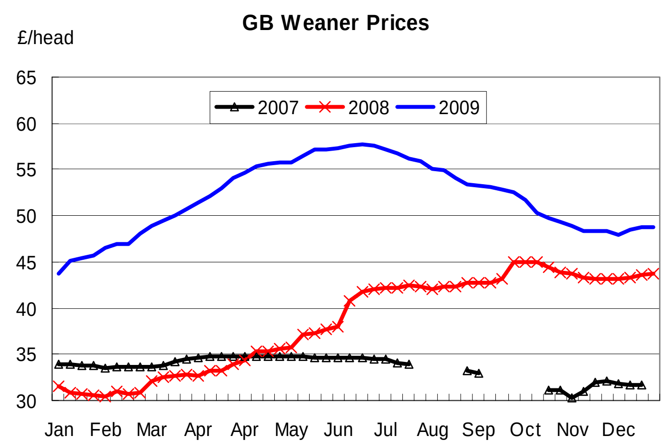
- Throughout 2009 the DAPP averaged 145p/kg, 15 per cent higher than in 2008 and also the highest annual average on record.

- Carcase weights from the DAPP sample fell back during December to average 79 kg, 2kg higher than year earlier weights. The average probe also reduced but remained over 11mm. Logistics involved with supplying processors may affect the average carcase weights in January due to the prolonged poor weather conditions.









- The decline in GB weaner prices stopped during December and increased marginally to £49.40 per head, starting 2010 around £4 per head higher than in 2009.

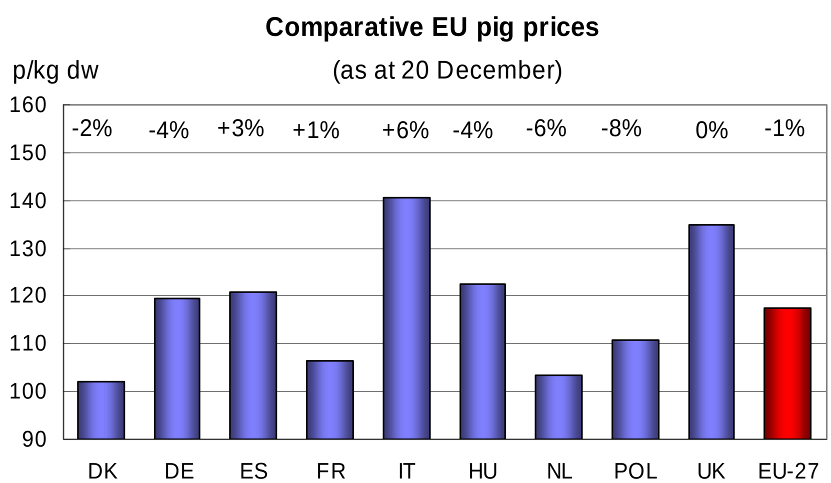
- Cull sow prices, in contrast to the weaner price, fell by five per cent during December to 102p/kg, and during the Christmas period prices continued to fall with the average sow price quoted at 92p/kg in week ended 2 January. Despite a low throughput of sows in the run-up to Christmas, higher November throughput and a low demand from the continent, as German demand for sow meat was fulfilled by the domestic market, have created a downward pressure on the price.

EXCHANGE RATES AND EU PRICES

- Sterling appreciated marginally against the Euro during December so that one Euro was worth 90 pence. This is approximately the same value as a year earlier and significant as Sterling experienced large scale depreciation during the final quarter of 2008.

- The UK pig industry benefited from the lower value of the pound in terms of making UK product more competitive in member states as well as acting as a barrier to entry for imported pig meat to the UK. As a result, the increases in the UK average pig price during the first half of the year did not negatively affect export volumes and the reduction in the average EU pig prices did not generate an influx of greater volumes of European pig meat delivered to the UK during the year.

- The seasonal autumn decline in EU pig prices was evident in 2009 despite the fact that slaughterings were lower than in 2008. Lower prices and lower slaughterings were a feature throughout 2009 reflecting the fall in demand both within the EU and on non-EU markets. There was some indication of a slight rise in prices at the end of November but this was short-lived. Throughout December the average EU pig reference price declined 2% to average €131 per 100kg at week ended 3 January, 7 per cent lower than a year earlier.



Figures at top of columns show % changes (in national currency terms) in 4 weeks to 20 December

- Producer prices in the Netherlands dropped six per cent during the four weeks to week ended 3 January to €116 per 100kg dwt resulting in prices being 10 per cent lower than January 2009. The majority of large producing nations in the EU-27 have experienced downward pressure on prices with Denmark (-11%), Germany (-7%), France (-7%) and Hungary (13%) all quoting notably lower prices than a year ago. Weak markets were also apparent in new member states and were characterized by Poland where prices were 13 per cent lower in euro terms than a year ago although in national currency terms the annual decline was only three per cent as a result of the fall in the value of the zloty.

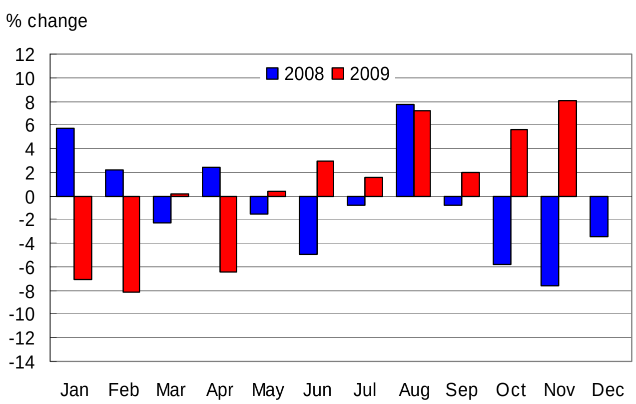
- The disruption to Irish trade in pig meat following the dioxin crisis in December 2008 resulted in much weaker prices throughout 2009. By the start of January 2010, prices were down 12 per cent year on year despite an eight per cent reduction in throughput during the first eleven months of the year compared with a year earlier.

- The weak pig meat market in 2009 meant that the profitability of production in the EU remained under pressure despite some fall in feed prices.

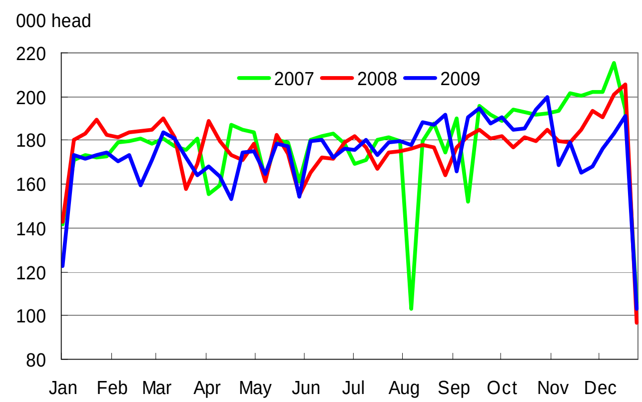
UK SLAUGHTERINGS AND PRODUCTION

- Clean pig slaughterings in the UK in November increased for the second consecutive month and totalled 796,000, eight per cent higher than November 2008. As a result, the cumulative throughput for the first eleven months of the year increased by 0.4 per cent to 8.53 million head. Prior to November the cumulative slaughterings for 2009 had been lower than year earlier due to significant year on year declines in slaughter throughputs in January, February and April. Since April there have been consistent year on year improvements in the number of clean pigs slaughtered in the UK.

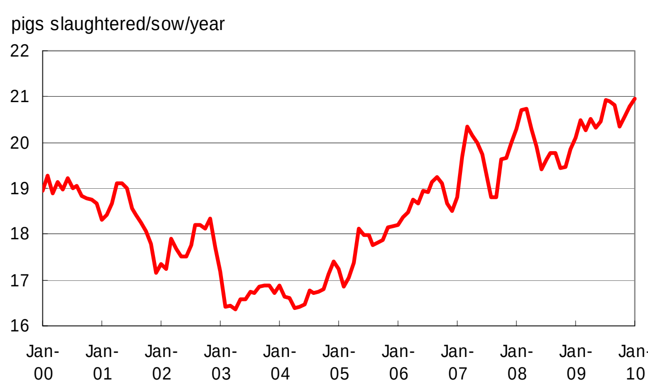
UK clean pig slaughterings



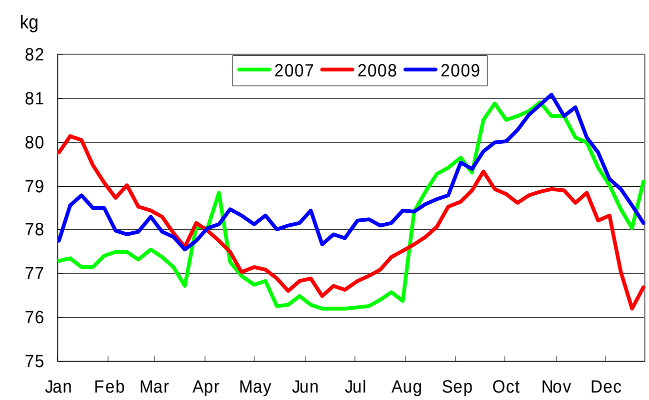
Weekly throughputs



Est sow productivity trends



Average carcase weights



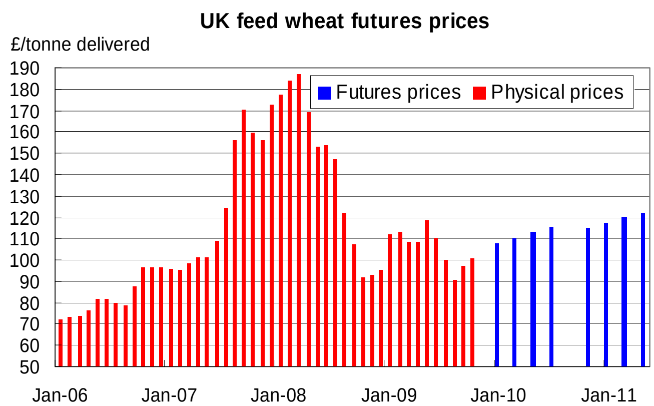
- During the first eleven months of 2009 195,000 sows were slaughtered in the UK, 12 per cent fewer than the same period in 2008. However, in November nearly 18,000 sows were slaughtered in the UK, 1,700 more than the same month a year earlier. Data for 2009 highlights the effect of higher throughputs experienced during the first half of 2008 following the FMD restrictions at the end of 2007.

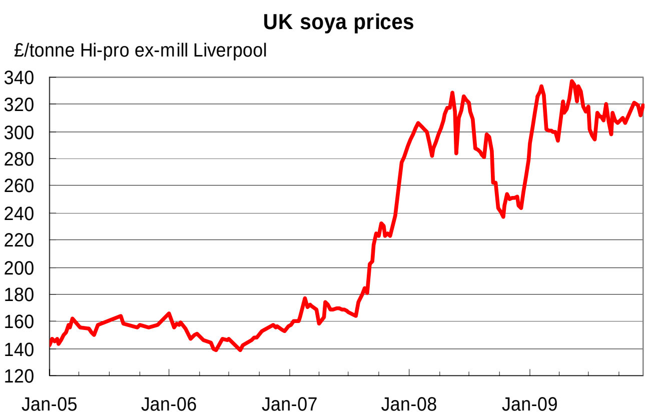
FEED PRICES

- Trading in the second half of December was seasonally low leading to low volatility in prices quoted. CBOT wheat prices were quoted at $199 per tonne at the start of 2010, nine per cent lower than a year earlier. In the UK at the start of January, the UK LIFFE nearby feed wheat futures price was quoted at £107 per tonne, largely unchanged over the four week period after dropping to £104 per tonne in mid-December.

- LIFFE UK wheat futures prices are quoted between £113 and £115 per tonne for mid-2010 and £118 per tonne for January 2011.

- In the soyameal market, recent Chinese demand for soyabeans helped support prices. The soyabean plantings finished in Argentina although there are conflicting reports regarding the size of the area planted. Estimations range from a record planted area of 18.2 million Ha from the Agricultural ministry up to an even greater 19.0 million Ha, as estimated by the Buenos Aires Grains exchange.





CONSUMPTION

- Retail demand for pork was been relatively strong in November with volumes purchased 9 per cent higher than the corresponding period in 2008. This is a significant improved compared to beef and lamb purchases, which both declined by four and 11 per cent respectively. Poultry retail purchases increased by four per cent during the four weeks to 29 November.

- Fresh and frozen pork purchases increased by nine per cent over the four weeks to 29 November compared with the same period a year earlier. This was driven by increased purchases of pork belly (+39%) and roasting joints (+34%) but this was offset to some degree by lower purchases of pork chops (-4%) and pork steaks (-16%). One factor which may have driven the growth in purchases between the two periods is the relative change in price of the different cuts although there is an indication that the lower price has attracted an overall greater expenditure on the respective cuts.

- Bacon purchases have remained the same during the four weeks to 29 November as they were in the same period in 2008. A one per cent increase in the price of bacon has led to an increase of one per cent in the expenditure in the same statistical period.

- Volumes of sales of chilled ready meals made with pork increased by 37 per cent over the four weeks ending 29 November 2009, but accounts for a small proportion of sales in absolute terms. Overall, sales of fresh and frozen pork outperformed processed products during November as demand for pork pies, sausage rolls and sliced meats (including ham) all reduced.

Trends in retail meat purchases (period ended 29 November 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								
Fresh and frozen meat	**+0**	**+0**	**-0**	**+1**	**+1**	**+0**	**+0**	**+5**	**+5**
Pork	+9	+2	-6	+7	+4	-3	+2	+6	+4
Belly	*+39*	*+39*	*+0*	*+24*	*+23*	*-1*	*-1*	*+10*	*+11*
Chops	*-4*	*-7*	*-3*	*+2*	*+1*	*-1*	*-2*	*+5*	*+7*
Steak	*-16*	*-8*	*+9*	*-16*	*-7*	*+11*	*+0*	*+5*	*+5*
Roasting joints	*+34*	*+13*	*-15*	*+15*	*+2*	*-11*	*+1*	*+3*	*+2*
Bacon	-0	+1	+1	+3	+2	-1	+3	+6	+3
Beef	-4	-3	+1	-2	-1	+1	-3	+4	+8
Lamb	-11	-6	+6	-8	-4	+5	-8	-2	+7
Poultry	+3	+3	+0	+3	+5	+2	+3	+8	+4
Processed products									
Pork Sausages	+1	+6	+5	+2	+5	+3	+2	+9	+7
Fresh Pre-packed Pork Pies	-7	-1	+6	-4	-0	+4	+2	+5	+3
Fresh Pre-packed Sausage Rolls	-9	-11	-2	-2	-4	-2	-1	-1	+0
Pork Chilled Ready Meals	+37	+7	-22	+29	+11	-14	+5	+1	-3
Pork Sliced Cooked Meats	-1	+2	+4	-4	-1	+3	-2	+2	+5

Q = quantity purchased, E = expenditure, P = price
Source: Taylor Nelson Sofres

This pig meat sector update was produced by:
James Park
Senior Analyst
AHDB Market Intelligence
e-mail: james.park@ahdbms.org.uk

The United Kingdom pig meat situation and outlook is analysed in more detail in “Pig Market Trends”, published monthly. For further information contact:
Jacqui Emery on +44 (0)2476 478766 or e-mail: Jacqui.Emery@ahdb.org.uk