



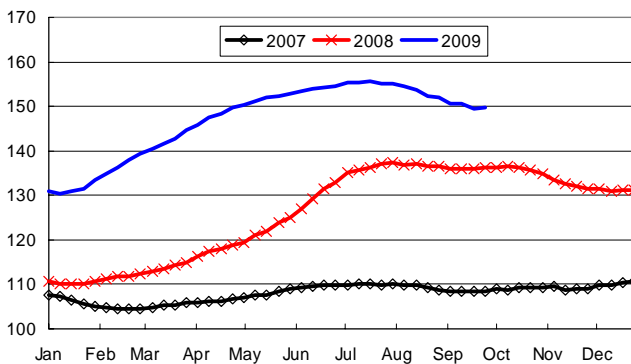
United Kingdom Pig Meat Market Update

October 2009

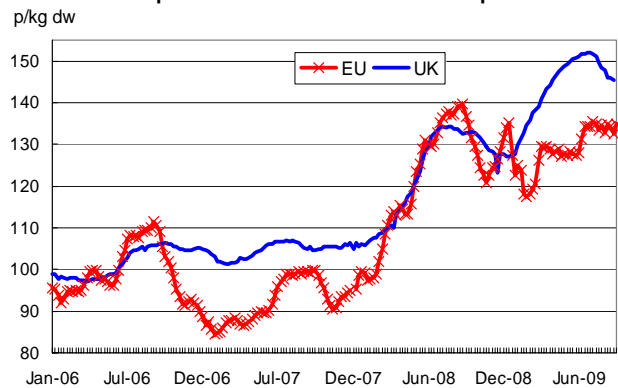
UK PRICES

- The DAPP continued to move lower in September and, at 149.5p/kg in the week ended 19 September, fell below 150p for the first time since April. Prices were 2p lower than four weeks earlier but were still 12p higher than a year earlier. There was a slight recovery in the DAPP in week ended 26 September, to 149.7p.
- The average export specification cull sow price continued to firm during August and early September primarily due to weaker sterling and a lack of sows rather than increased Continental demand. The average sow price in the week ended 19 September, at 116.3p/kg, was 3p higher than four weeks earlier. There was, however a decline in week ended 26 September to 113.9p. In line with the finished market, weaner prices have also weakened since mid-July. In the week ended 26 September the average price for a 30kg weaner was £52.81.

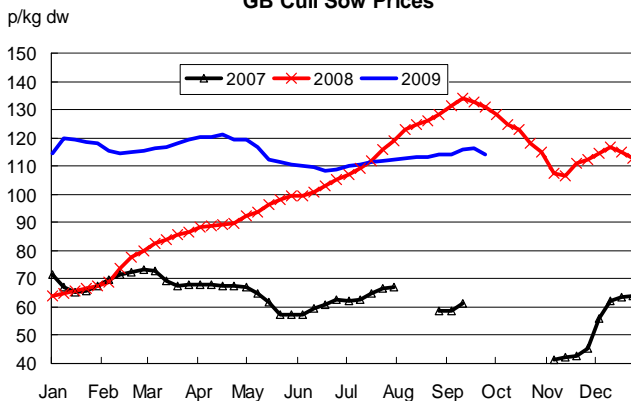
GB Finished Pig Prices



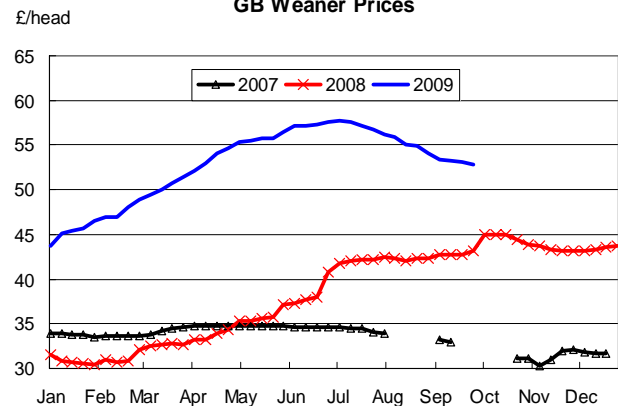
Comparison of UK and EU reference prices



GB Cull Sow Prices

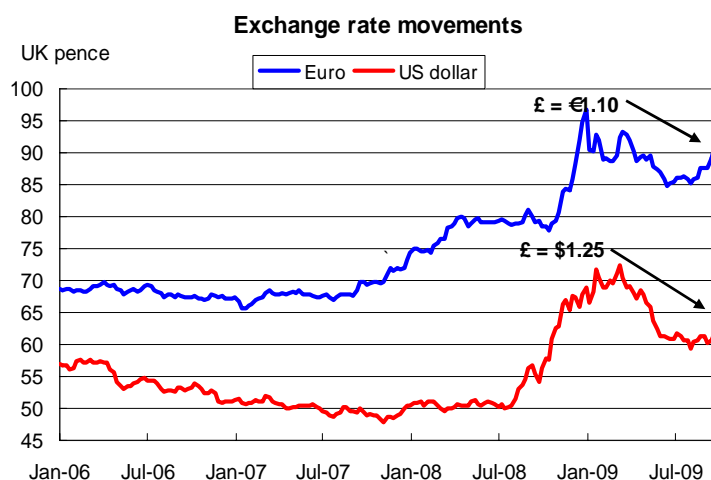


GB Weaner Prices

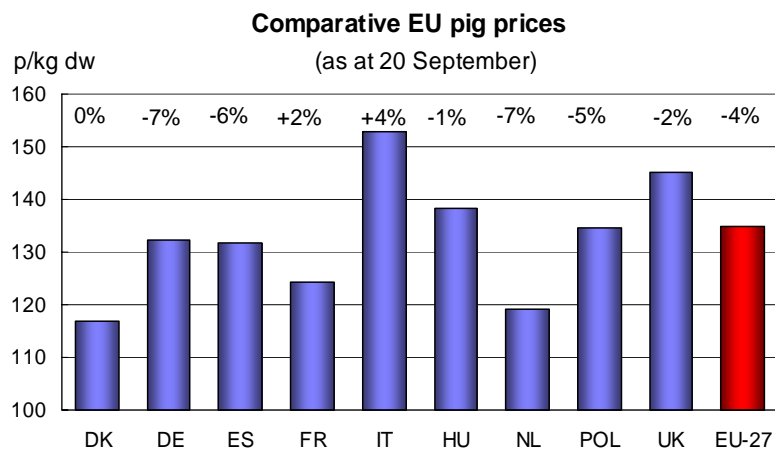


EXCHANGE RATES AND EU PRICES

- Sterling has fallen sharply against the Euro since the beginning of August, due largely to concerns on the foreign exchange markets about the increases in British public debt. By Friday 25 September the value of sterling against the Euro had fallen by seven per cent since the beginning of August to £1=1.0884 Euros (ie 1 Euro = 92p). This was the lowest level against the Euro since April.



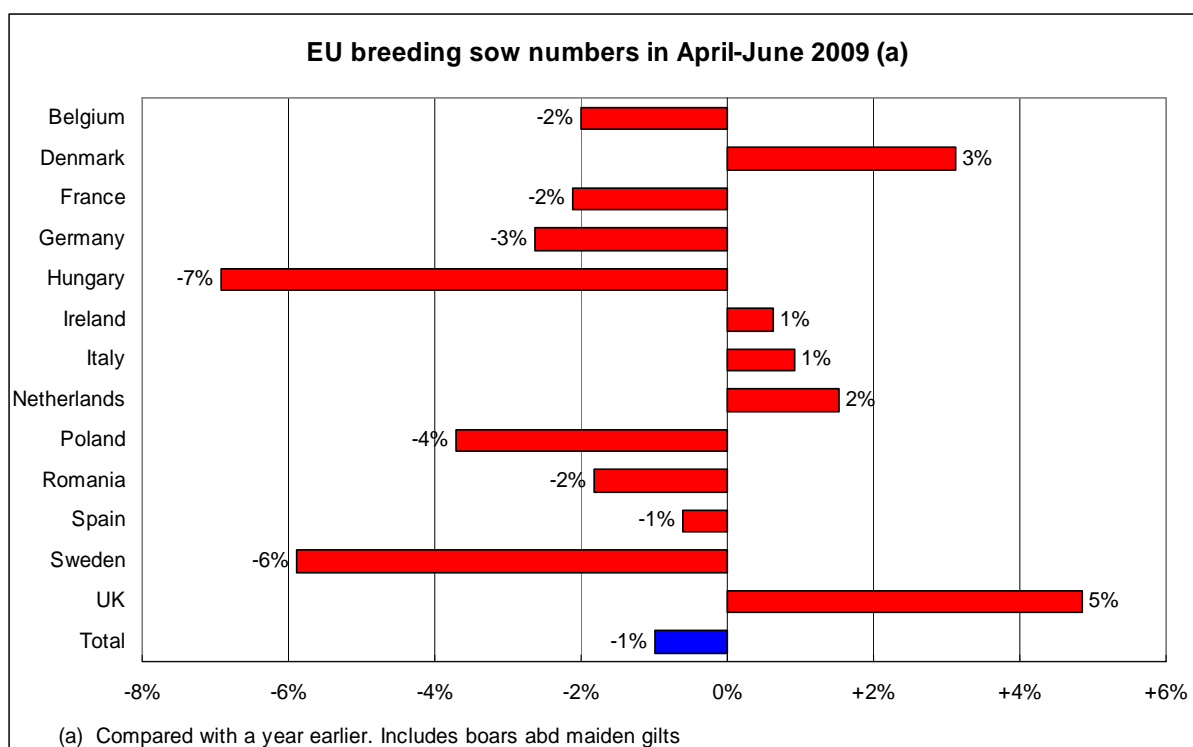
- Pig prices eased in most member states during the first three weeks of September. The number of slaughter pigs is reported to have been high and combined with lower demand following the end of the holiday season on the Continent this has placed some downward pressure on prices. In the week ended 20 September the EU average pig reference price was €148 per 100kg dw, four per cent lower than four weeks earlier. However, due to the depreciation of sterling, the average EU price in sterling terms was actually up two per cent over the same period.
- The drop in prices was most marked in Germany and the Netherlands, both down by seven per cent in the four weeks to 20 September. Colder weather in Spain, leading to an increase in growth rates, together with lower demand resulted in the Spanish price falling by five per cent over the same period



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

EU PIG SURVEY RESULTS

- The EU Commission has published the results of the April/May/June 2009 pig census for 14 member states. The 14 member states for which results are available account for around 90 per cent of the total EU pig population. The United Kingdom and Denmark showed the sharpest increases and there were smaller growth rates in the Netherlands, Italy and Ireland. But these were offset by contraction in other member states – especially Hungary, Sweden and Poland – leading to a one percent decline in overall breeding herd numbers.

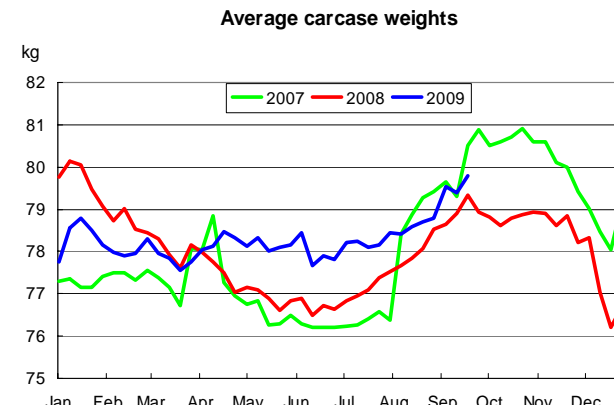
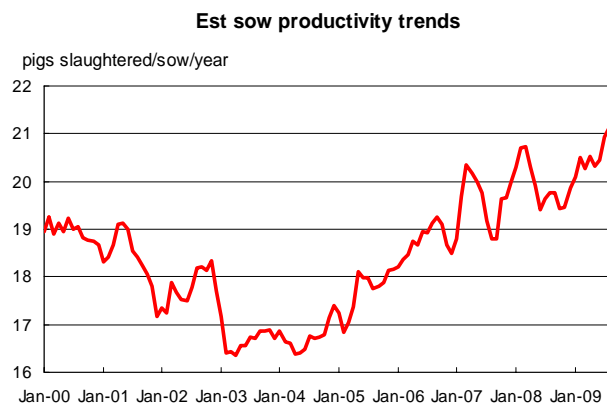
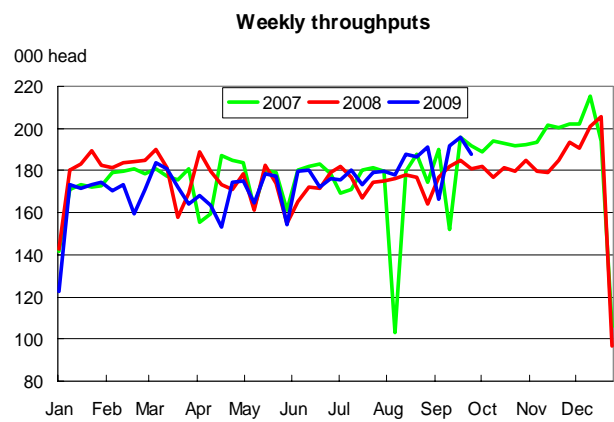
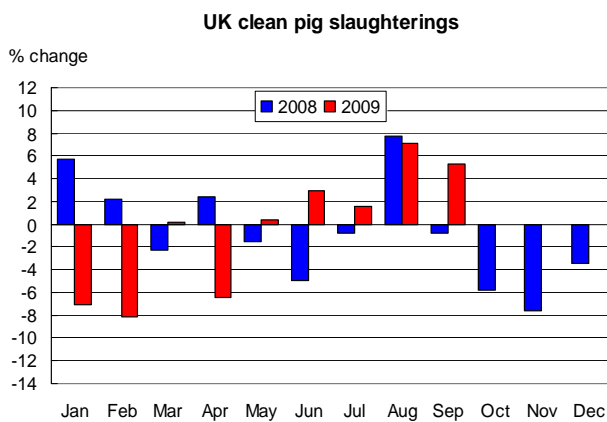


UK SLAUGHTERINGS AND PRODUCTION

- Clean pig slaughterings were down on 2008 levels in the first half of 2009, but since June they have been on a rising trend. Slaughterings in August totalled 744,000; this was equal to an average weekly throughput of 186,000 head, seven per cent higher than a year earlier and the highest (other than in October/November 2007 when figures were distorted by FMD controls) since November 2006.
- Up to now the driver of higher slaughterings in 2009 has not been increased sow numbers but improved sow productivity. Sow productivity (defined as the relationship between slaughterings and the lagged breeding herd) has been increasing for much of this year, and in August is estimated to have been seven per cent higher than a year earlier. However,

sow numbers have started to increase, and they should therefore also begin to contribute to increased slaughter levels over the next year.

- There was a further increase in throughputs during the first three weeks of September and preliminary forecasts for the month indicate they averaged 191,000 a week, five per cent up on September 2008.
- Average carcass weights of pigs in the DAPP sample have increased seasonally since late June and have been consistently heavier than year earlier levels throughout July, August and early September. However, the rate of increase in 2009 has been less marked than in 2008. By mid September the average weight had increased to 79.8kg, up by nearly 2kg since the beginning of July compared with a rise of nearly 3kg in the corresponding period a year earlier.

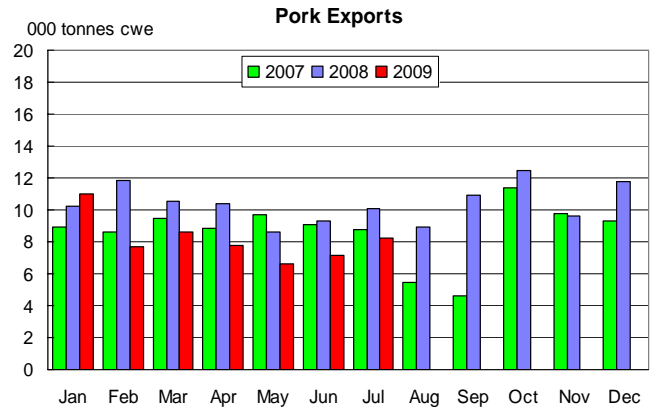
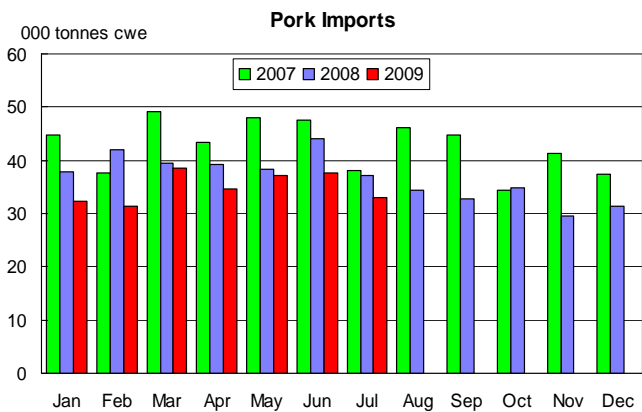


UK TRADE

- Exports of fresh and frozen pork during July of 7,900 tonnes were 16 per cent lower than in the corresponding month a year earlier. This compares with June shipments that were 23 per cent lower than year earlier levels. Higher sow slaughtering during July helped reduce the deficit on exports compared with a year earlier. Germany was the leading destination for pork exports in July and accounted for a third of total pork exports, despite volumes being

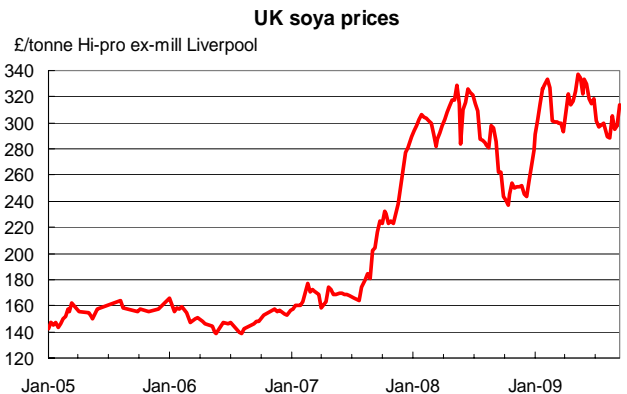
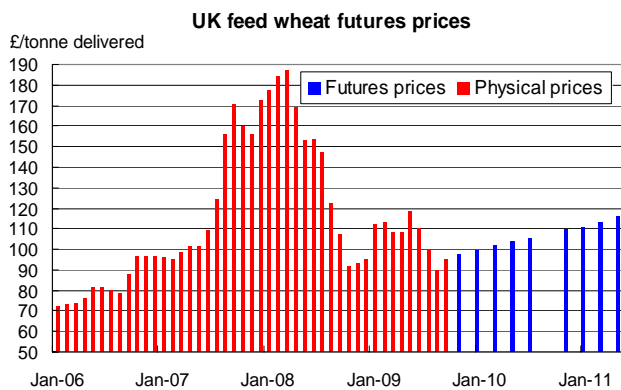
13 per cent lower on the year at 2,600 tonnes. Ireland was the second largest destination, shipments being 25 per cent lower on the year at 1,400 tonnes.

- Imports of fresh and frozen pork in July were 10 per cent lower than year earlier levels at 29,500 tonnes. Imports from Denmark, at 7,900 tonnes, accounted for 27 per cent of total imports, despite a 31 per cent fall in volumes compared with the corresponding month a year earlier. Higher imports from Ireland and Belgium partially offset the lower Danish imports. Shipments from Ireland and Belgium both surpassed 4,000 tonnes, up 28 and 35 per cent on the year respectively.



FEED PRICES

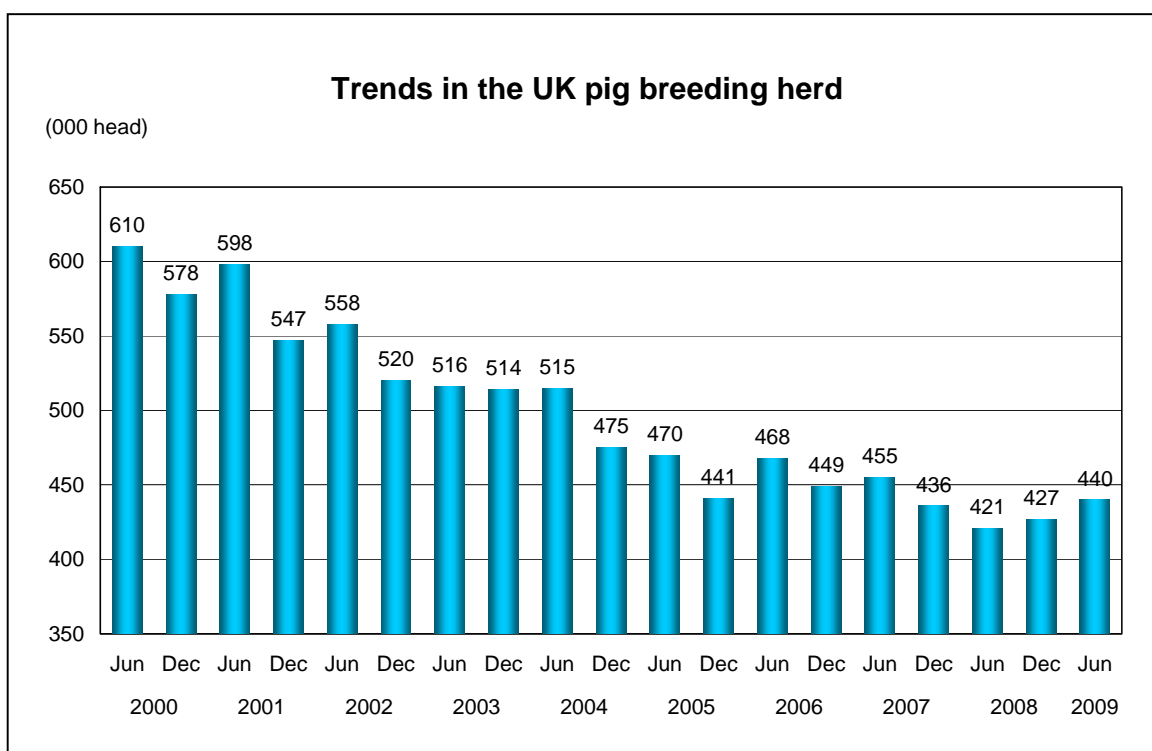
- After reaching a low of £88 per tonne in late-August, delivered feed wheat prices for Eastern England rebounded to £95 per tonne by early-September. On LIFFE UK wheat futures, feed wheat prices are at around £99 per tonne for November contracts, which is up a few pounds on recent weeks ago but around £12 per tonne cheaper than at the same point last season.
- Strategie Grains has estimated that the 2009/2010 EU wheat crop could reach 130 million tonnes. This is down 10 million tonnes on last season. It estimates the UK crop at 14.8 million tonnes, a fall of 2.4 million tonnes from last season's record and forecasts the percentage of feed wheat to be around 70 per cent compared with 75 per cent last year. EU barley production is placed at 61.5 million tonnes, down four million tonnes on last season. An estimated reduction in the Spanish barley crop, due to prevailing drought conditions, accounts for the majority of this fall.



- World wheat production is forecast at 664 million tonnes, down 18 million tonnes on last season. Falls are predicted in many of the major production areas; including the EU, United States and former Soviet states down 10 million tonnes although a small increase of two million tonnes is expected in China.

PROVISIONAL UNITED KINGDOM PIG SURVEY RESULTS – JUNE 2009

- Provisional Defra pig survey results show that the United Kingdom female breeding herd increased by five per cent, or 24,000 head, in the year to June 2009. At 440,000 head, numbers were approaching June 2007 levels.
- It is thought that this is the first time since 1997 that the national breeding herd has expanded compared with a year earlier. December 2006 also showed a small expansion, but this is likely to have been a statistical anomaly. The expansion has arisen from a renewal of confidence in the industry as it recovers from the feed crisis during 2007 and the first half of 2008. Lower feed prices combined with higher pig prices meant that the industry moved from loss-making to profit-making in the autumn of 2008.



- The increase in the breeding herd has begun to be reflected in the lighter weights of slaughter pigs on farms, with the number of pigs under 50kg liveweight up on a year earlier.

But due to the lag in the production cycle, numbers of some heavier pig categories were still down.

CONSUMPTION

- Retail pork sales in volume terms were down three per cent compared with a year earlier in the four weeks ended 6 September. Slightly lower average prices (-1%) meant that expenditure was four per cent lower. Purchases of chops were again buoyant (+20%), although purchases of all other cuts were lower.
- In the latest 4-week period the volume of bacon purchases was three per cent higher than a year earlier. The average unit price was down three per cent, leading to unchanged expenditure.
- Retail purchases of sausages were down one per cent compared with last year, although higher average prices meant that expenditure was up four per cent. Purchases of pork pies and sausage rolls remained higher than a year earlier. There was an increase of 65 per cent in volume purchases of chilled pork ready meals, although in absolute terms the size of this market is small.

Trends in retail meat purchases (period ended 6 September 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	+1	+1	+0	+1	+1	-1	+7	+8
Pork	-3	-4	-1	-2	-1	+2	-1	+6	+8
<i>Belly</i>	-18	-13	+5	-8	-4	+5	-8	+7	+16
<i>Chops</i>	+20	+12	-7	+13	+10	-2	-4	+7	+12
<i>Steak</i>	-2	-2	-1	+3	+4	+0	+9	+11	+2
<i>Roasting joints</i>	-13	-17	-4	-13	-14	-1	-6	+0	+7
Bacon	+3	-0	-3	+8	+2	-5	+3	+9	+6
Beef	-4	-4	+1	-2	-0	+2	-3	+7	+11
Lamb	-10	-3	+8	-16	-9	+9	-9	-1	+10
Poultry	+3	+6	+2	+4	+5	+2	+1	+8	+7
Processed products									
Pork Sausages	-1	+4	+5	+4	+8	+4	+3	+11	+8
Fresh Pre-packed Pork Pies	+14	+12	-1	+10	+12	+1	+2	+4	+2
Fresh Pre-packed Sausage Rolls	+4	-1	-4	+1	-1	-2	-1	+1	+2
Pork Chilled Ready Meals	+65	+43	-14	+12	+11	-1	-6	-5	+1
Pork Sliced Cooked Meats	+2	-1	-2	+2	+2	+1	-1	+4	+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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