



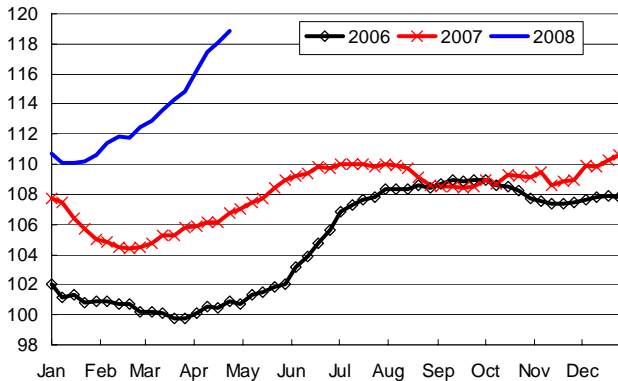
United Kingdom Pig Meat Market Update

May 2008

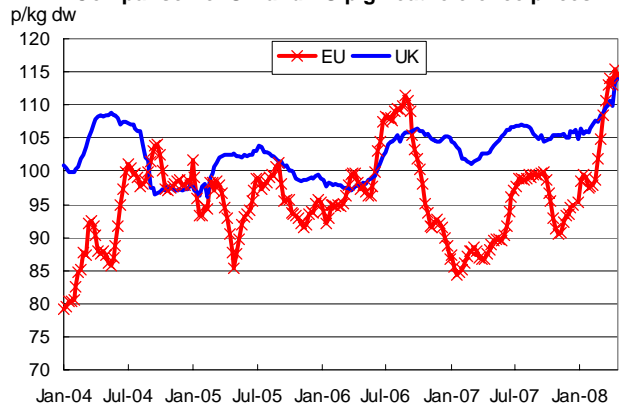
UK AND EUROPEAN PRODUCER PRICES

- UK pig prices continued to strengthen in April. In the week ended 26 April the DAPP was 118.9p/kg dw, 4.0p more than four weeks earlier and, in spite of higher slaughterings so far this year, 12.1p higher than a year ago. UK producer prices have been given a boost by the continued weakening of the sterling exchange rate against the Euro.

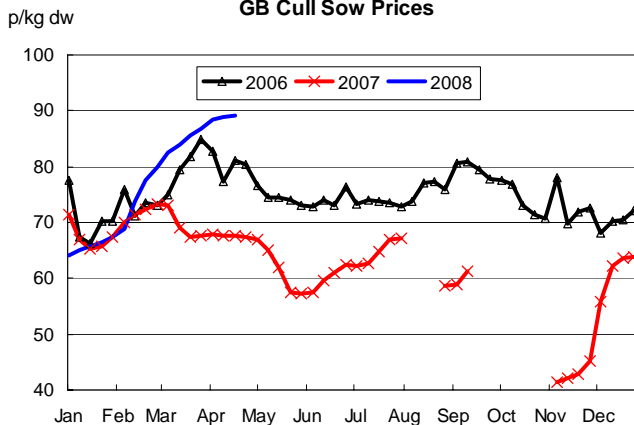
GB Finished Pig Prices



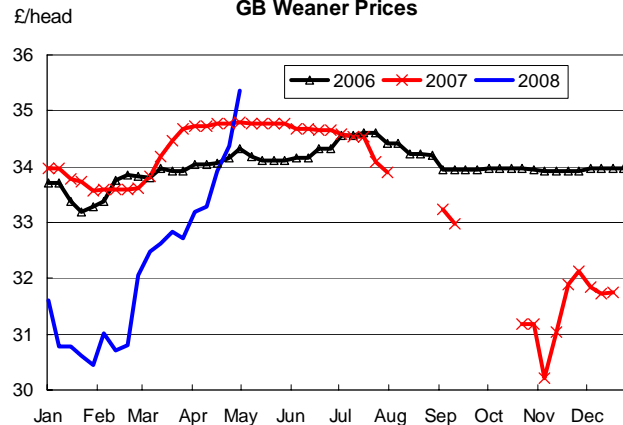
Comparison of UK and EU pigmeat reference prices



GB Cull Sow Prices



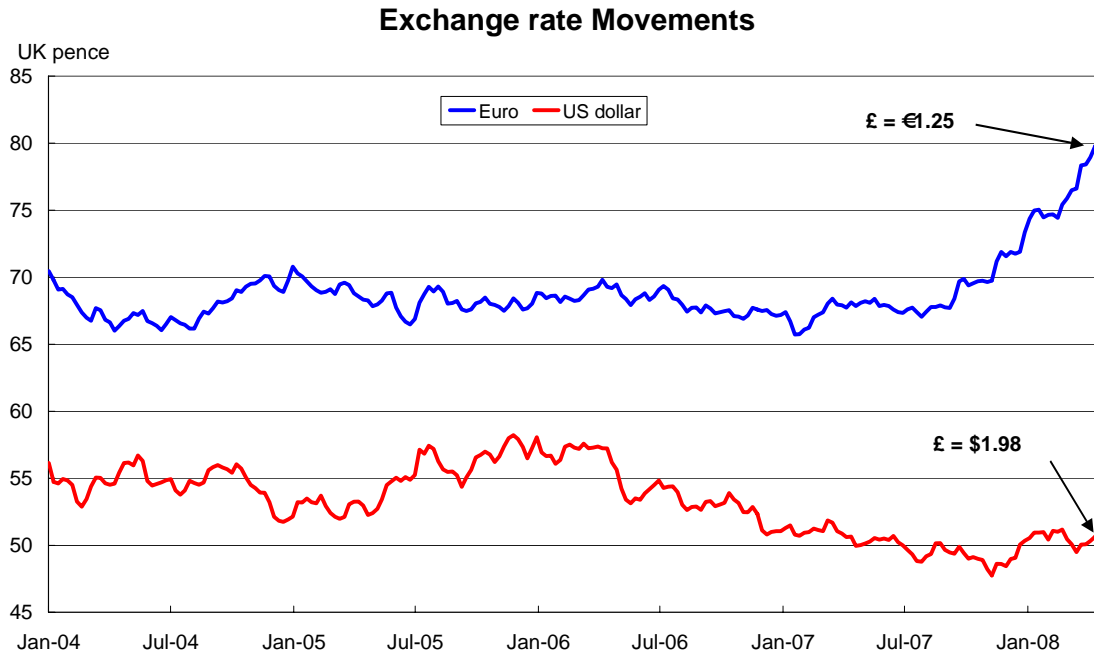
GB Weaner Prices



- Weaker sterling has had a particularly significant impact on sow prices, as nearly all sow meat produced in the UK is exported. Consequently prices have moved significantly higher since the beginning of 2008. Average sow prices in mid-April were around 21p higher than a year earlier in spite of sow slaughterings being more than 30 per cent higher. Germany,

Denmark and the Netherlands have also all experienced a strengthening in sow prices in recent months as the supply situation in Europe tightens.

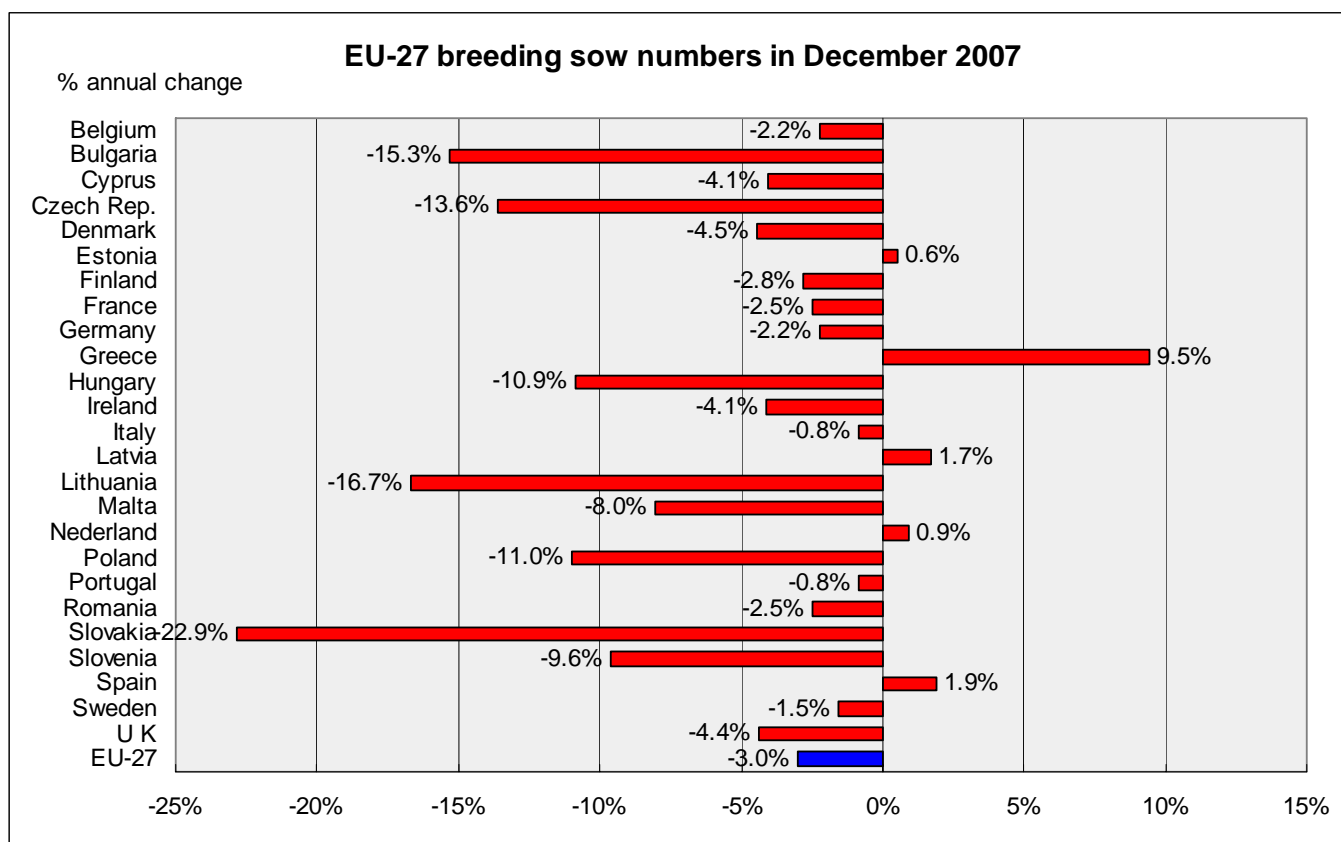
- Economic concerns about the UK economy, together with a spillover effect from the general weakness of the US dollar, have pushed sterling sharply lower against the Euro over the past few months. In mid-April, the Euro was worth 80p, compared with 68p a year earlier. The 18 per cent weakening in the value of sterling will have made UK imports dearer and exports more competitive.



- Lower slaughterings in a number of EU countries are supporting market price levels. EU prices continued to strengthen during March, although, with the ending of the Easter holidays, prices in some member states fell back slightly in early April. Expectations (incorrect) that export refunds were to be abolished may also have had a negative effect on prices in the first half of April.
- The EU-27 average reference price in the week ended 20 April was one per cent lower than four weeks earlier. Prices in France (-4%), Germany (-4%) and the Netherlands (-5%) were lower but Danish prices strengthened by five per cent in this period. The EU-27 price was 10 per cent higher than a year earlier in Euro terms but 30 per cent higher in sterling terms.

EU BREEDING SOW NUMBERS

- Pig producers throughout Europe have been affected by record feed costs over the past year. The December 2007 EU pig survey results indicate that in the majority of member states this has led to a contraction in the breeding herd. EU-27 sow numbers were three per cent down on a year earlier. Numbers in the Netherlands (+1%) and Spain (+2%) were slightly higher but there was a contraction in all the other major pig-producing countries. The most marked impact of high feed costs on sow numbers has been in eastern Europe – with Hungary, Poland and the Czech Republic all recording declines of over 10 per cent.



- More recent results for Denmark, from the April 2008 pig survey showed an unexpectedly sharp drop in the breeding herd. The total number of in-pig sows, although higher than in the previous January survey, was down 10 per cent compared with April 2007. All categories of slaughter pigs recorded a decline, with the fall being especially marked for weaners under 50kg. Click on the link for more detailed information:

http://www.danishmeat.dk/smcms/DMA_Home/statistics/DK_pig_population/Index.htm?ID=6274

NEWS FROM OTHER COUNTRIES

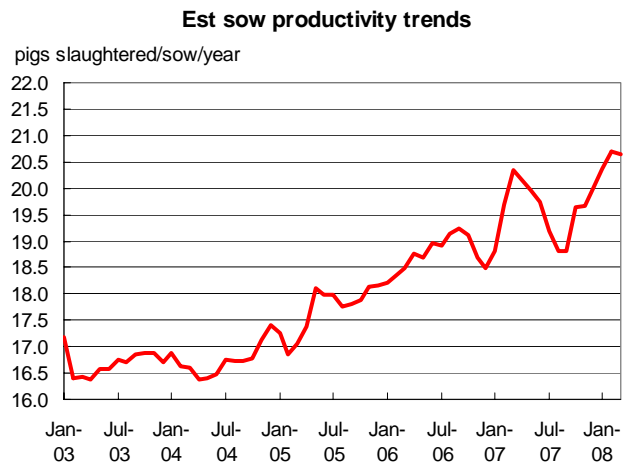
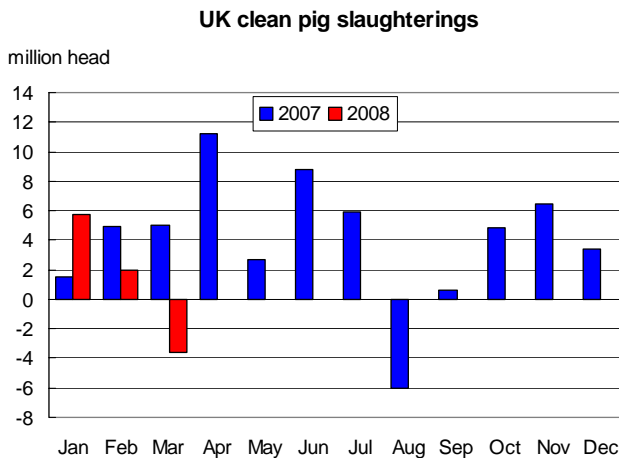
- Over the next few months Canadian pig producers intend to slaughter hundreds of thousands of piglets in order to avoid future feed expenses. Many of the piglets were intended for pig production in the US. However, due to record low prices for pork, US buyers

are breaching their contracts with the Canadian sellers, thus increasing the potential number of slaughter pigs in Canada. Canadian pig producers are currently losing about £27 (€34) per slaughter pig.

- Danish meat exports to Japan have dropped from € 800 million in 2004 to € 490 million in 2007. The decrease is due to the weak US\$, and to a free trade agreement, which means that Mexico pays lower customs duties on their pig meat exports to Japan than Denmark and other countries do.

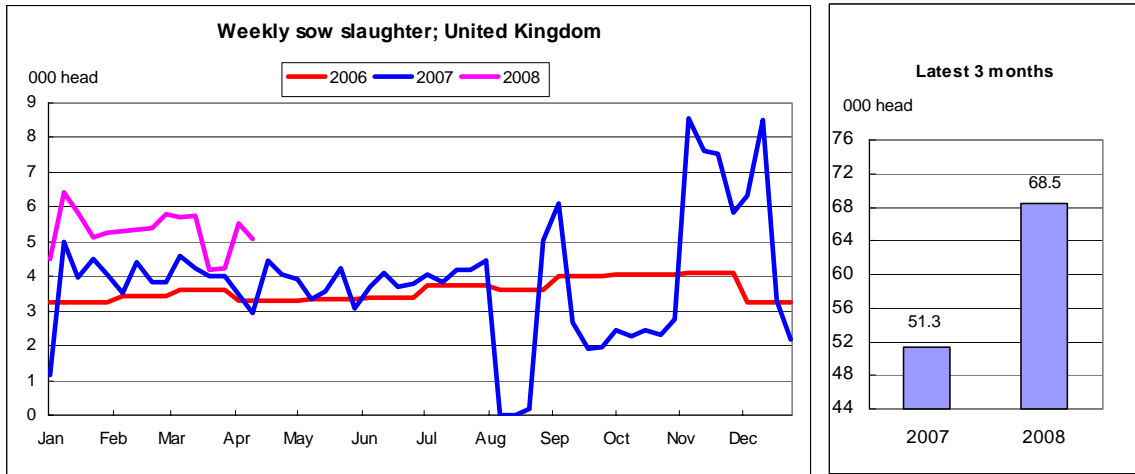
UK SLAUGHTERINGS AND PRODUCTION

- Clean pig slaughterings in the first quarter of 2008 totalled 2.31 million head, two per cent higher than in 2007
- The FMD movement restrictions imposed in the autumn quickly led to a considerable backlog of pigs for slaughter developing. At the end of 2007 there was still a backlog of pigs awaiting slaughter, and this is likely to have been a factor behind high throughputs in January 2008 slaughterings.
- However, slaughterings have remained higher than last year, even though the FMD backlog has now been cleared. Continuing improvements in sow productivity are likely to have been a factor in the higher throughputs.
- March slaughterings were two per cent lower than last year, but this was because of the unusually early Easter and therefore two short slaughter weeks. Slaughterings in the first half of March had been two per cent higher than last year. With no public holidays in April this year, an increase in slaughterings is likely to be recorded.



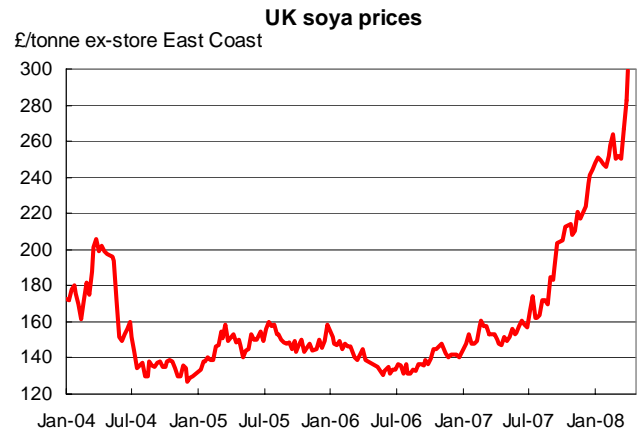
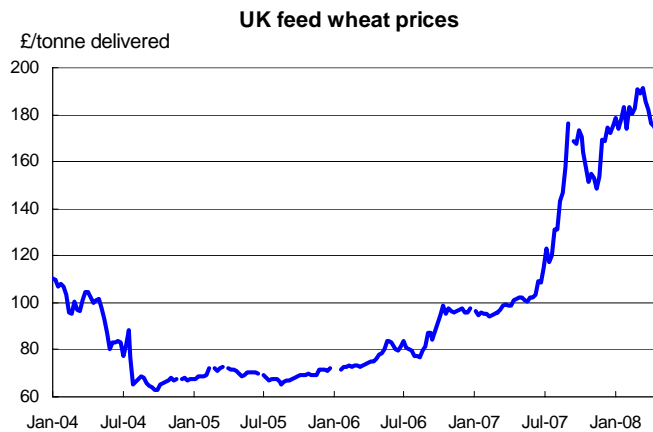
- Other than in three weeks when there was a public holiday, sow cullings so far this year have generally totalled between 5,000 and 6,000 a week, a considerable increase compared with last year. In January-March 2008 sow cullings totalled 37 per cent more than in the first

quarter of 2007. The increase would have been even more, had it not been for the early Easter. High feed costs and current industry losses are the prime drivers of these trends.



FEED PRICES

- In advance of this year's harvest, cereal prices have fallen back from their peak levels in March, although they remain significantly higher than a year ago. In the week ended 26 April, delivered prices of feed wheat averaged £160/tonne, 56 per cent higher than a year earlier. In addition to higher cereal prices, soya prices have also recently been rising sharply, reaching £300/tonne. The main cause of this has been a strike by Argentinean producers in response to an export levy imposed by the government. Argentina is the world's third largest soya exporter.



- Futures market prices also continued to move lower in April. The market is anticipating lower prices in the 2008/09 and 2009/10 seasons. But, at an average £146/tonne across the delivery months in 2008/09 and £144 in 2009/10, prices will still be higher than in earlier seasons.

CONSUMPTION

- TNS data for the most recent 4-week period (ended 20 April) indicates that retail pork purchases were down on a year earlier. However this is a distortion caused by the earlier Easter in 2008. In fact, both pork and bacon demand have been growing strongly this year, as shown by data for the 12 weeks to 20 April. The volume of pork purchases was up five per cent compared with a year earlier and, due to a small increase in average retail prices, expenditure was seven per cent higher.
- Bacon purchases increased by seven per cent in volume terms in the 12-week period and by five per cent in value terms. British bacon's share of the market increased slightly from 29 per cent to 30 per cent.

Trends in retail meat purchases (period ended 20 April)

	4 weeks			12 weeks			52 weeks		
	2008/07			2008/07			2008/07		
	Q	E	P	Q	E	P	Q	E	P
	% change compared with a year earlier								
Fresh and frozen meat	-3.4	+2.4	+6.0	+2.1	+5.4	+3.2	+3.4	+5.5	+2.1
Pork	-2.1	+4.2	+6.4	+5.3	+6.7	+1.3	+8.4	+8.9	+0.4
Bacon	+3.2	+1.9	-1.3	+7.2	+4.9	-2.1	+4.9	+3.2	-1.6
Beef	-0.3	+5.4	+5.6	+0.5	+3.5	+2.9	+4.8	+5.6	+0.7
Lamb	-19.8	-7.9	+14.8	-2.7	-0.2	+2.6	+4.7	+4.6	-0.1
Poultry	-4.9	+2.7	+8.0	+1.0	+8.6	+7.5	+0.3	+5.8	+5.5
Sausages	+4.0	+3.9	-0.1	+4.4	+5.6	+1.2	+2.2	+5.8	+3.6
Burgers	-3.8	-1.9	+1.9	+1.0	+4.2	+3.1	+2.3	+5.3	+3.0
Ham	+1.0	-1.1	-2.1	+4.0	+3.0	-0.9	+2.7	+3.0	+0.3
Total Sausage Rolls	-5.1	-6.6	-1.6	+3.2	+0.7	-2.4	+5.0	+3.9	-1.0
Pork/Cold Eating Pies	-10.8	-10.6	+0.2	-2.4	-0.6	+1.8	-5.8	-4.7	+1.1
Total Hot Pies	+4.4	+6.9	+2.4	+6.3	+9.1	+2.6	+4.5	+7.3	+2.7
Pork ready meals	+1.5	+5.3	+3.8	+1.0	+3.6	+2.6	-17.3	-15.7	+1.8
Total processed products (prod wt)	+3.3	+2.8	-0.5	+2.2	+3.8	+1.6	+1.3	+2.4	+1.2
Pig meat	-2.1	-2.3	-0.3	+1.8	+2.3	+0.5	+2.0	+3.5	+1.5
Beef	+4.2	+4.3	+0.1	+1.1	+4.3	+3.2	+1.9	+4.3	+2.4
Poultry meat	+10.5	+8.6	-1.7	+3.4	+4.7	+1.3	-0.8	-1.1	-0.3

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: Jayne Dines on +44 (0)1908 844389 or e-mail: jayne.dines@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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