



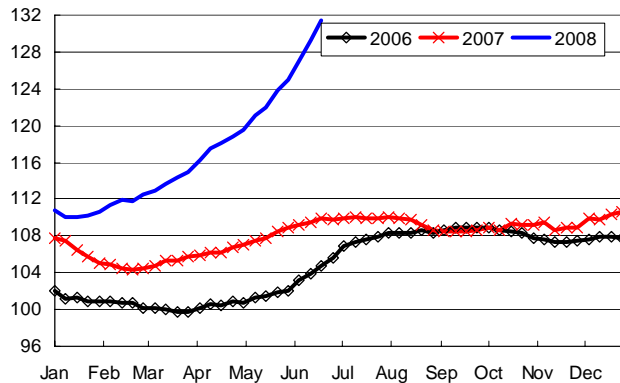
## United Kingdom Pig Meat Market Update

July 2008

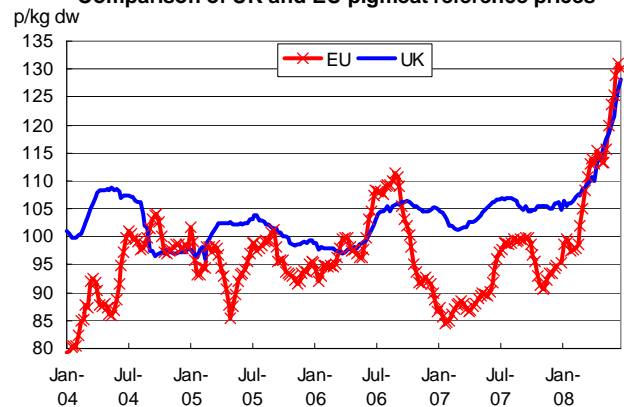
### UK AND EUROPEAN PRODUCER PRICES

- UK pig prices continued to move higher in May and June. In the week ended 21 June the DAPP stood at 131.5p/kg dw, 7.7p more than four weeks earlier and 21.6p higher than a year ago. Prices are currently at their highest since June 1997. UK producer prices in 2008 have benefited from the weaker value of sterling against the Euro, relatively strong consumer demand for pig meat in the first quarter and significantly tighter supplies since April.

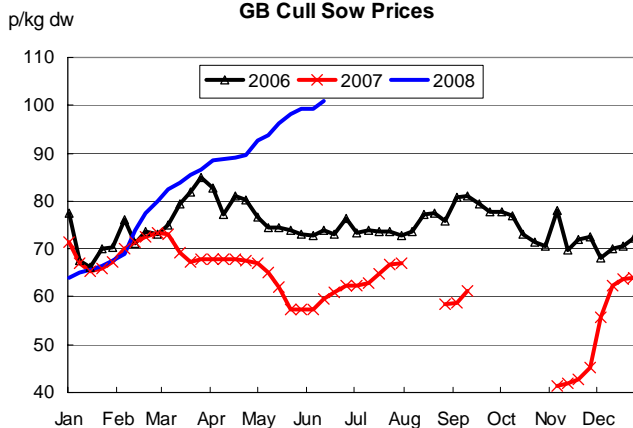
GB Finished Pig Prices



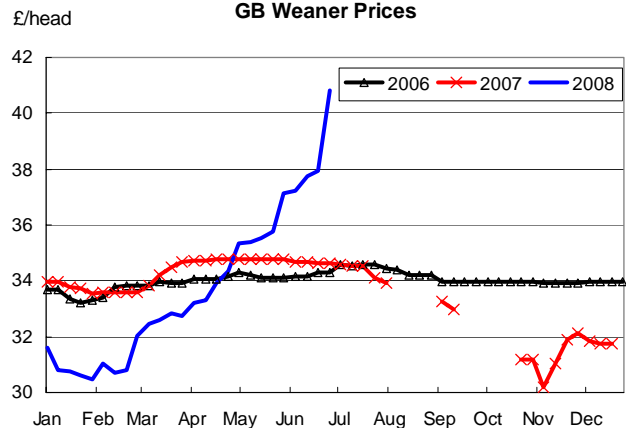
Comparison of UK and EU pigmeat reference prices



GB Cull Sow Prices



GB Weaner Prices

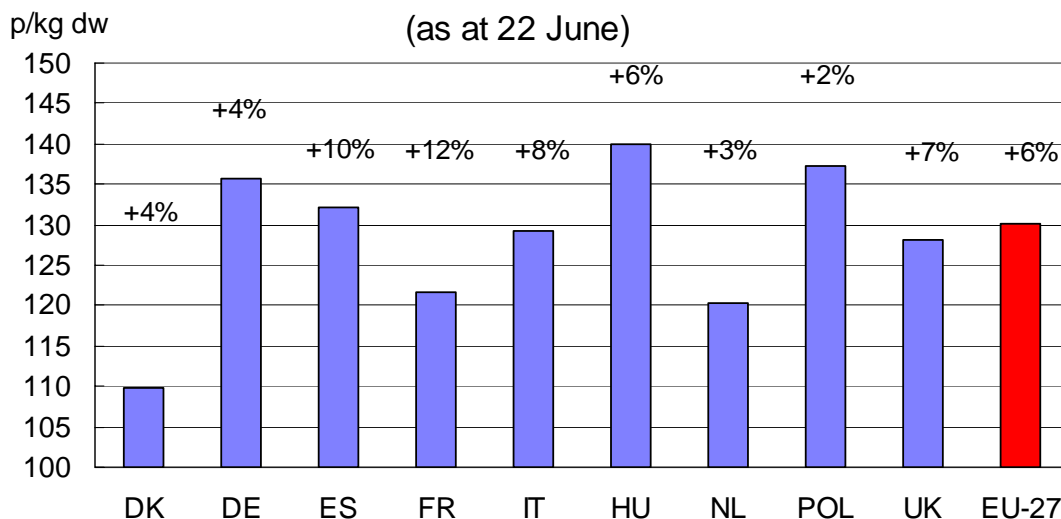


- Cull sow prices have increased particularly sharply, and are also at an 11-year high. The average price in the week ended 21 June was 101/kg dw, 5p more than four weeks earlier and 40p above the level of a year ago. Nearly all sow meat produced in the United Kingdom

is exported, and sow prices have therefore got a major boost from the depreciation of sterling. However the further increases in May and June were mainly due to tighter sow meat supplies compared with earlier in the year.

- Economic concerns about the UK economy, together with a spillover affect from the general weakness of the US dollar, pushed sterling sharply lower against the Euro during the first quarter of 2008. In June, the Euro was worth an average 79p, compared with 68p a year earlier. The weakening in the value of sterling will have made UK imports dearer and exports more competitive.
- Producer prices have increased more in many Continental EU countries than in the United Kingdom. Lower slaughterings in a number of countries are supporting market price levels. The arrival of warmer weather in Europe also prompted the beginning of the barbecue season in May.
- The EU-27 average reference price in the week ended 22 June was six per cent higher than four weeks earlier and 36 per cent higher than at the start of the year. Prices have increased in all major producing countries. Spanish prices increased sharply in June (+10%) with the beginning of the holiday season, and French prices also showed a significant increase (+12%).

### COMPARATIVE EU PIG PRICES



Figures at top of columns show % changes (in national currency terms) in 4 weeks to 22 June

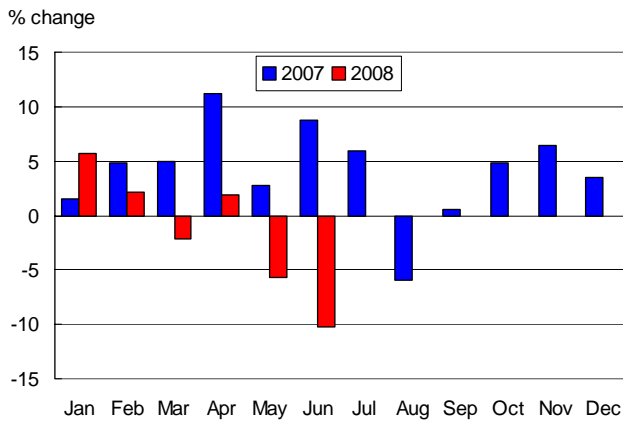
- The depreciation of sterling over the past year has meant that while UK prices have increased strongly, they are much flatter in Euro terms. The UK reference price in the week ended 22 June was 20 per cent higher than a year earlier in sterling terms but just three per cent higher in Euro terms.
- Relatively stronger EU prices have led to the disappearance of the UK premium over the EU-27 price in recent months. The premium, which averaged 12p/kg in 2007, disappeared in March. In late June the UK reference price averaged 2p less than the EU-27 price. UK prices averaged 18.2p more than Danish prices (averaged 24.0p in 2007) and 7.9p more

than the Dutch price (19.8p in 2007). However this premium over the Dutch price represents an improvement compared with early June, when the prices were almost at the same levels..

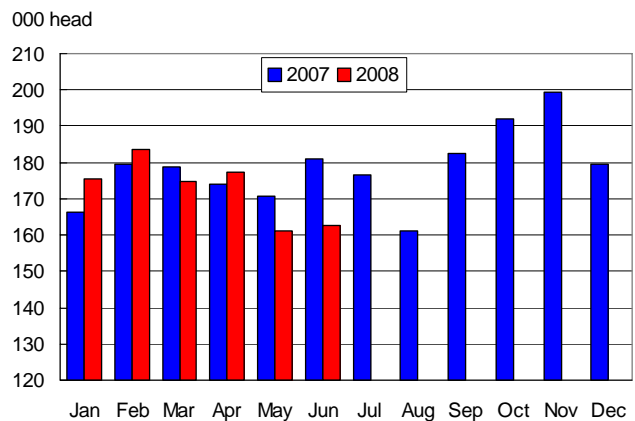
## UK SLAUGHTERINGS AND PRODUCTION

- In the first quarter of 2008, total clean pig slaughterings were two per cent higher than a year earlier, due to a combination of continuing improvements in sow productivity and, in January, the clearing of the FMD backlog. However, since April, average weekly throughputs have tended to move lower. This trend is likely to continue into the second half of 2008 due to the impact of the decline in the national breeding herd since June 2007.
- Slaughterings in May were five per cent lower than a year earlier, while provisional forecasts for June indicate that throughputs could be down as much as 10 per cent.

UK clean pig slaughterings

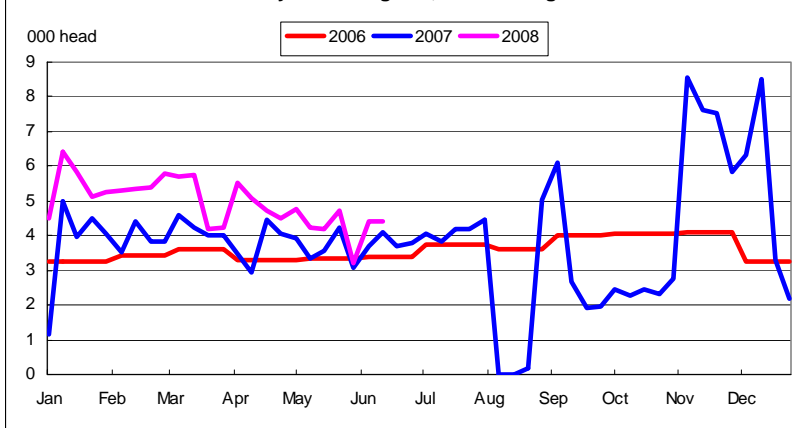


Average weekly throughputs

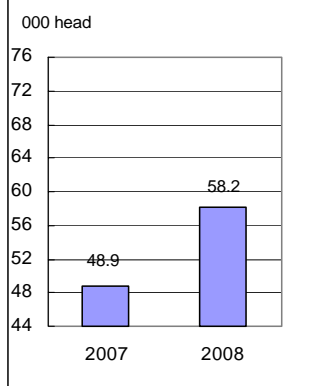


- Sow cullings were at very high levels in the first three months of 2008, a strong indication that the June 2008 livestock survey will record a further contraction in breeding sow numbers. High feed costs and industry losses were the prime drivers of these trends. Cullings have moved lower since April, although they are still running above 2007 levels.

Weekly sow slaughter; United Kingdom

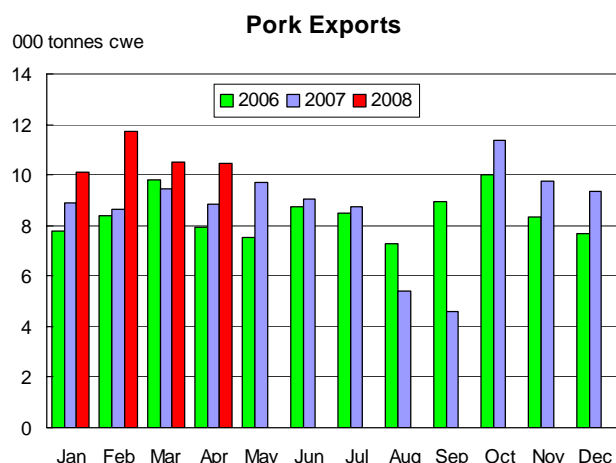
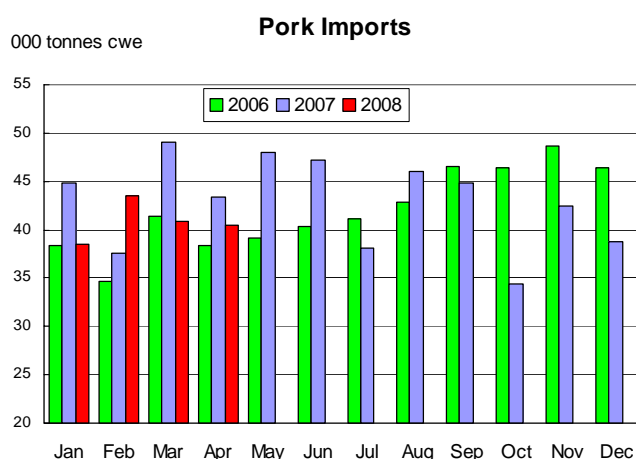


Latest 3 months



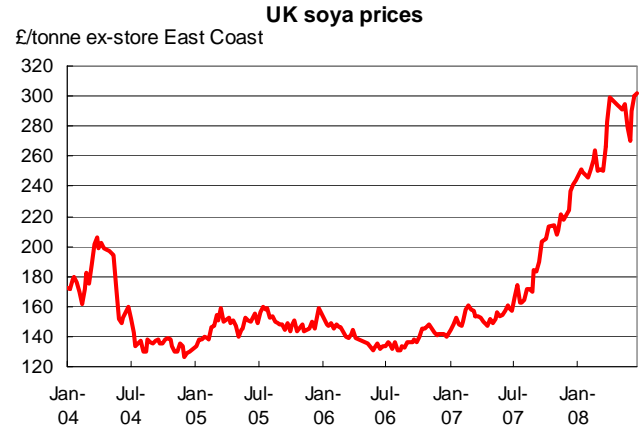
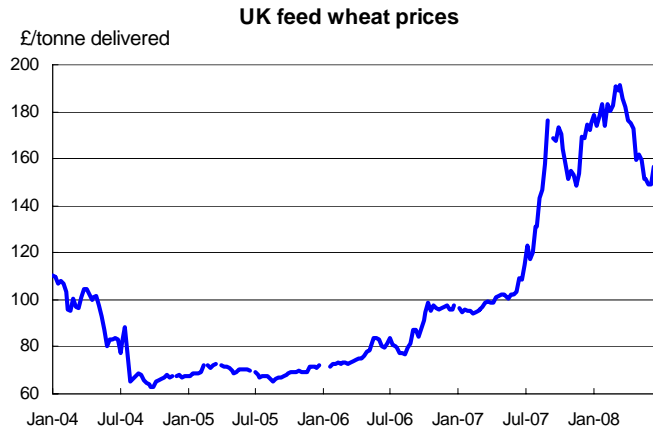
## UK TRADE

- UK pork exports totalled 41,000 tonnes in January-April 2008, 22 per cent higher than a year earlier. Strong consumer demand from Germany saw exports of chilled carcasses rise by 46 per cent to 13,000 tonnes. Much of this trade will have been sow meat. Exports to the Netherlands also rose sharply (+24%), and there was also a doubling in shipments to Hong Kong.
- The strengthening of the Euro against sterling has affected pork imports. Imports in January-April were down seven per cent at 147,000 tonnes. Shipments from Denmark fell by two per cent to 65,000 tonnes while imports from the Netherlands were a third lower at 13,000 tonnes. Partly offsetting these declines, there was a six per cent increase in imports from Germany.



## FEED PRICES

- Cereal prices continue to be volatile on the back of market uncertainties. Delivered feed wheat prices declined between March and May due to expectations of a better harvest this year. The USDA forecast world wheat production of 650 million tonnes in 2008/09, up 50 million tonnes from the current 2007/08 estimates.
- However, prices moved higher again in June due to floods in the American mid-West, and the assessed impact of this on the harvest. There are also concerns over the Australian harvest later in the year. Delivered feed wheat prices averaged £154/tonne in the week ended 27 June 42 per cent higher than a year earlier – when they were already beginning to increase sharply.
- UK soyameal prices in May and June have been around £300/tonne, which is almost double what they were a year ago. Uncertainty over the size of the US soyabean plantings this year and concern over adequate supplies in 2008/09 has resulted in volatility in soyabean futures market prices.



- Futures prices have moved higher, in line with the stronger spot prices. Currently, futures prices for delivery in the 2008/09 season are trading at between £150 and £160/tonne. This is lower than the levels reached during the first few months of 2008 but is still much higher than in most previous years.

## CONSUMPTION

- TNS data for the most recent 4-week period (ended 15 June) indicate an increase in retail pork purchases of two per cent in volume terms compared with a year earlier. However this represents a slow down compared with the first quarter when purchases had been growing strongly. Pork prices, in common with other meats, are currently showing sharp increases compared with last year. Consequently, expenditure was up eight per cent.
- Purchases of belly, which grew strongly last year, have continued to move higher in 2008. In the latest four week period they grew by 11 per cent. However, sales of chops (-5%) and pork mince (-6%) fell sharply (-16%) and roasts were also lower (-3%). Total sales of roast were up three per cent.
- Bacon purchases declined by three per cent in volume terms in the 4-week period, but a 15 per cent increase in average retail prices meant that expenditure was 11 per cent higher. British bacon's share of the market was 32 per cent compared with 28 per cent a year earlier.

## Trends in retail meat purchases (period ended 15 June)

	4 weeks 2008/07			12 weeks 2008/07			52 weeks 2008/07		
	Q	E	P	Q	E	P	Q	E	P
% change compared with a year earlier									
<b>Fresh and frozen meat</b>	<b>-2.2</b>	<b>+6.2</b>	<b>+8.6</b>	<b>-3.0</b>	<b>+4.4</b>	<b>+7.6</b>	<b>+2.3</b>	<b>+5.0</b>	<b>+2.6</b>
Pork	+1.7	+8.3	+6.5	-1.4	+5.5	+7.0	+7.4	+8.6	+1.1
Bacon	-3.1	+11.3	+14.8	-1.1	+6.3	+7.5	+4.1	+3.4	-0.7
Beef	-8.5	-0.4	+8.9	-3.5	+3.4	+7.2	+3.1	+4.2	+1.1
Lamb	-4.5	+6.0	+11.1	-11.6	-1.0	+12.1	+1.3	+3.1	+1.8
Poultry	+0.9	+8.2	+7.3	-2.3	+5.6	+8.1	-0.1	+5.8	+5.8
Sausages	-0.5	+6.1	+6.6	+1.2	+4.4	+3.2	+1.9	+5.3	+3.3
Burgers	+3.6	+7.9	+4.2	+3.2	+5.5	+2.2	+2.9	+6.1	+3.1
Ham	-2.0	+6.7	+8.8	+1.0	+5.8	+4.8	+2.6	+3.7	+1.2
Total Sausage Rolls	+0.2	+4.3	+4.1	+2.0	+5.2	+3.1	+5.2	+4.7	-0.5
Pork/Cold Eating Pies	-8.8	-9.4	-0.7	-8.3	-6.5	+1.9	-5.4	-4.4	+1.1
Total Hot Pies	+6.2	+10.5	+4.1	+2.0	+8.0	+5.9	+4.4	+8.3	+3.7
<b>Total processed products (prod wt)</b>	<b>+0.8</b>	<b>+4.2</b>	<b>+3.5</b>	<b>+1.0</b>	<b>+3.7</b>	<b>+2.7</b>	<b>+0.8</b>	<b>+2.4</b>	<b>+1.6</b>
Pig meat	+1.4	+6.1	+4.7	+0.3	+3.9	+3.7	+1.7	+3.7	+2.0
Beef	-0.5	+3.1	+3.7	+1.3	+3.8	+2.5	+1.3	+4.1	+2.8
Poultry meat	-0.1	+2.2	+2.3	+1.0	+3.1	+2.1	-1.1	-0.4	+0.7

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

Source: Taylor Nelson Sofres

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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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