



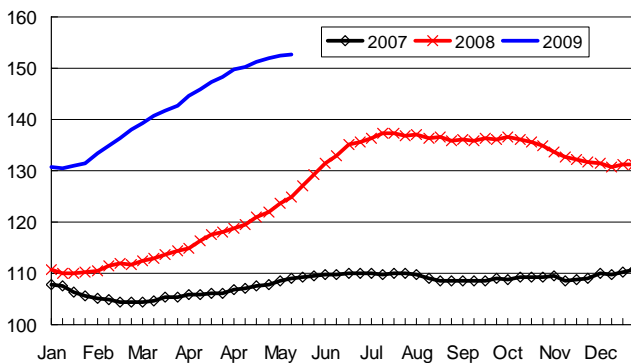
United Kingdom Pig Meat Market Update

June 2009

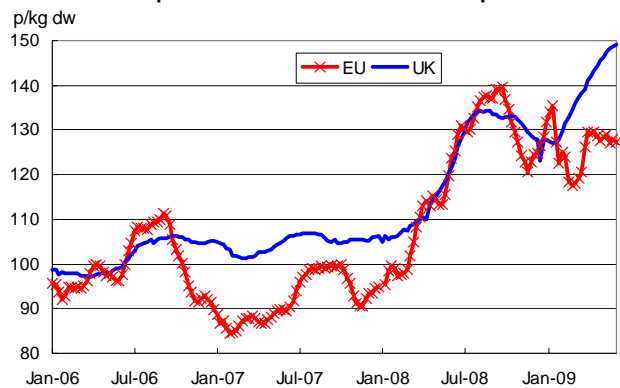
UK PRICES

- The lower value of sterling against the Euro, continuing tight supplies and good domestic demand for pork relative to other red meats have all contributed to firm pig market conditions this year. The DAPP has increased week on week since early January, and in early May broke through the 150p threshold for the first time since July 1996.
- Prices increased further during May. In the week ended 30 May, the DAPP averaged 152.8p/kg dw, which represented an increase of 22 per cent compared with a year earlier.
- Despite a reported easing in demand for sow meat on the Continent, tight domestic supplies led to an increase in sow prices during March and early April. However, since the start of May, sow prices have fallen back due to some recovery in the sterling exchange rate. In the week ended 30 May the price averaged 110p, 9p less than four weeks earlier.

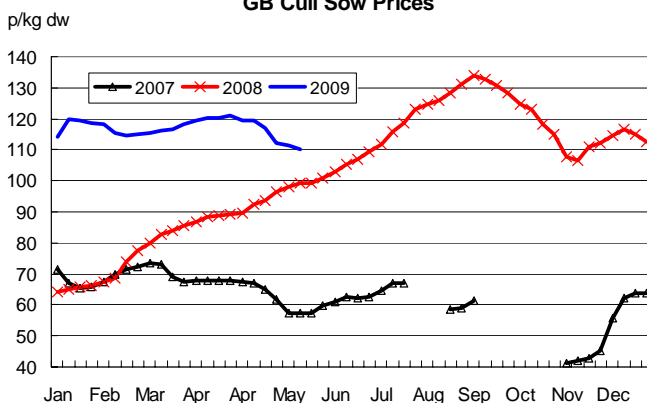
GB Finished Pig Prices



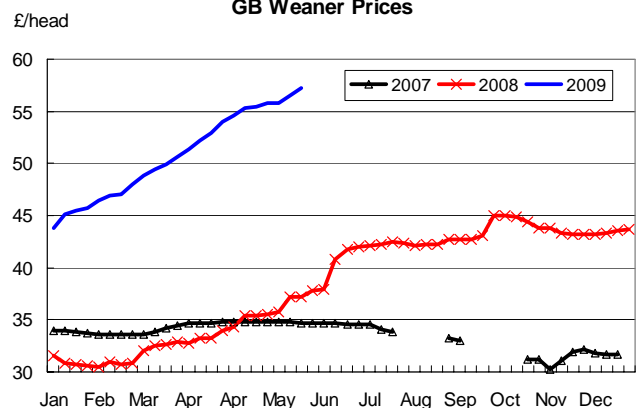
Comparison of UK and EU reference prices



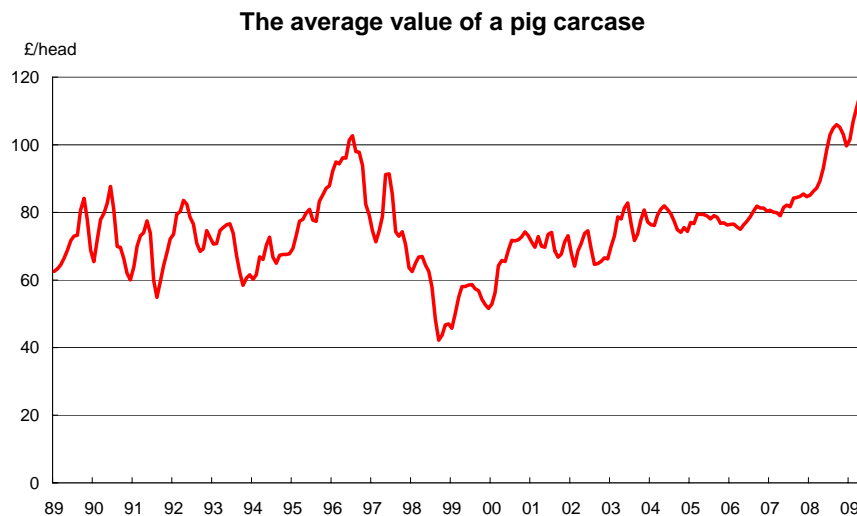
GB Cull Sow Prices



GB Weaner Prices



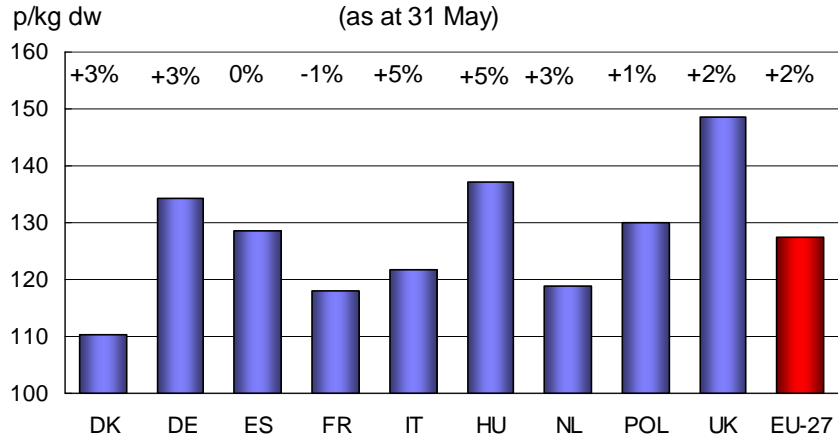
- A shortage of weaner availability, due in part to reduced supplies arising from infertility problems last summer, and improved finished pig prices have been reflected in higher prices on the weaner market. The 30kg average weaner price has increased weekly since December 2008, and in the week ended 6 June reached £57.30/head, £14 more than at the beginning of 2009.
- Finished pig prices in May 2009 averaged 152.1p/kg, only fractionally below the 152.2p peak achieved in July 1996. However, over the 13-year period average carcass weights have increased by 10kg, from 67kg to 77kg. Consequently, the current average value of a pig carcass (£117) is higher than in July 1996 (£103).



EU PRICES AND EXCHANGE RATES

- The average European pig price rose steadily throughout March and April but dipped in the first half of May, primarily due to declines in the German and Dutch prices. Some of this may have been in response to a temporary fall in consumer demand as a reaction to Swine Flu.
- Prices began to increase in the second half of the month, fuelled by warmer weather and increased barbecue demand. In the week ended 31 May the EU-27 reference price averaged two per cent more than four weeks earlier. The overall price was seven per cent lower than a year earlier in Euro terms but, due to the decline in the sterling exchange rate, was up two 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. The premium fell to just 1p at the beginning of January but the relative weakness of prices in other EU countries meant that it rose to around 26p by the end of February. In March and April the premium fluctuating within a 22-27p range, but it increased further in May to around 29p.

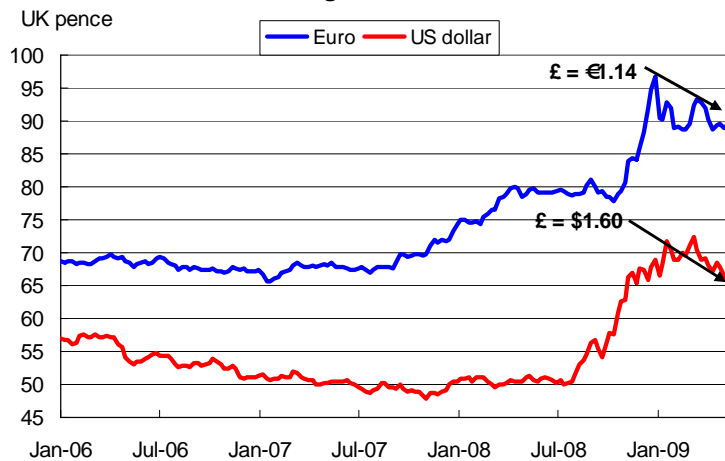
Comparative EU pig prices



Figures at top of columns show % changes (in national currency terms) in 4 weeks to 31 May

- Exchange rate markets are continuing to be an important driver in UK and European pig meat markets. Sterling fell sharply against both the Euro and the US dollar in the first quarter of 2009, but it showed some recovery in April and May. The pound has been buoyed by some recent data suggesting that the UK recession is easing and that consumers are more positive. At the end of May the sterling exchange rate was at a five-month high against the Euro and a seven-month high against the US dollar. This has been reflected in the decline in cull sow prices and also a recent dip in UK soya prices.

Exchange rate movements

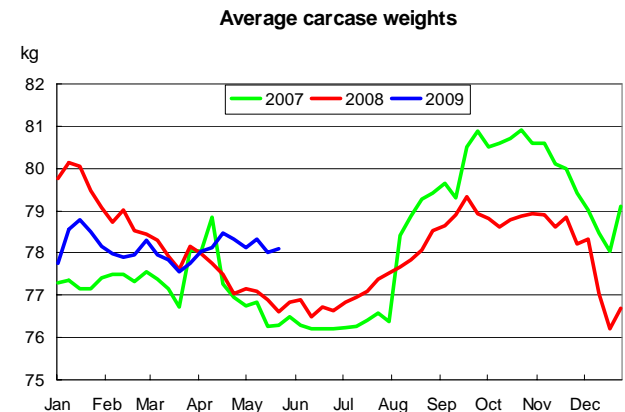
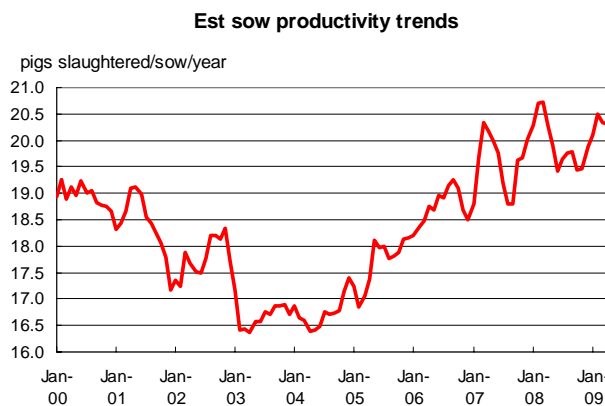
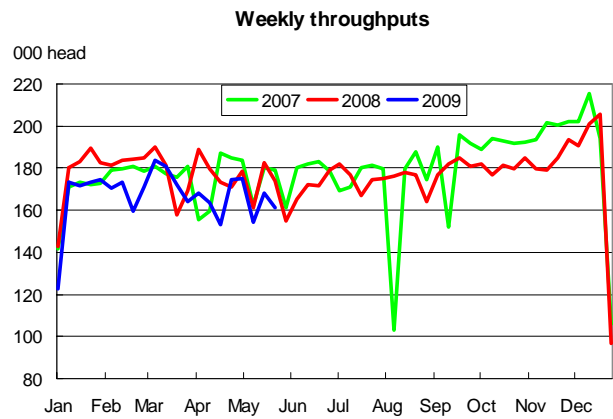
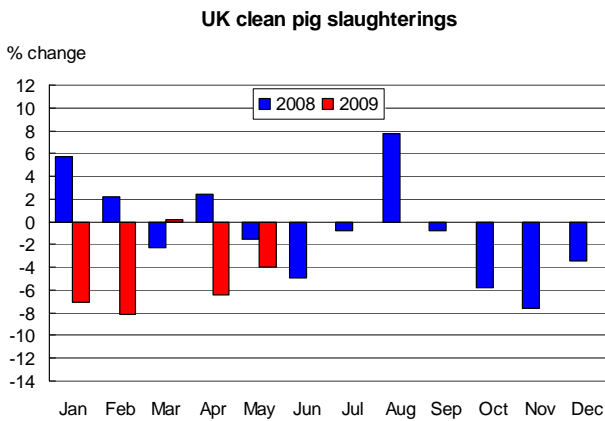


UK SLAUGHTERINGS AND PRODUCTION

- UK clean pig slaughterings totaled 834,000 during April, which was six per cent lower than in the corresponding month a year ago. However, some of this apparent reduction was due

to Easter being in April this year and March last year. Excluding the two Easter weeks, slaughterings were down four per cent compared with year earlier levels. Throughputs in Scotland have fallen particularly sharply this year and were 12 per cent lower than a year earlier.

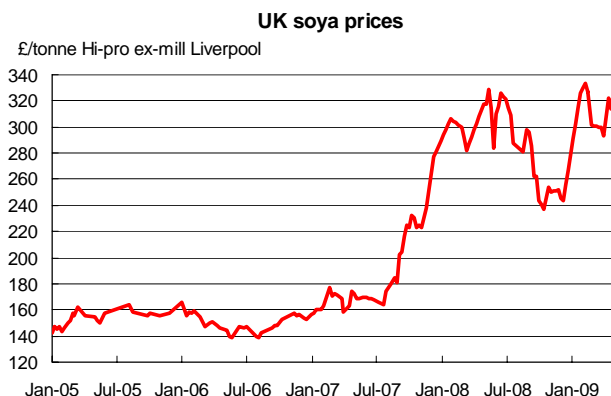
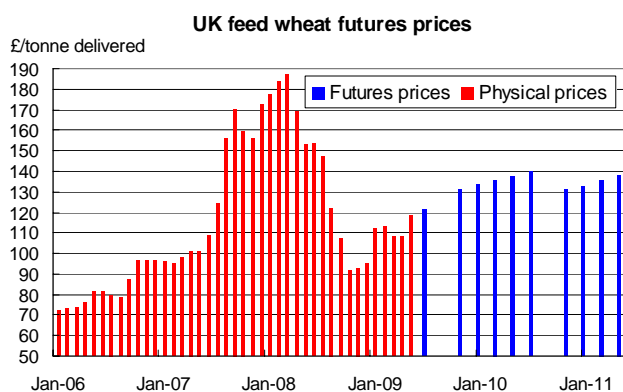
- Abattoir throughputs remain lower than a year ago, with provisional forecasts for May indicating a four per cent decline. However, looking forward, a more stable breeding herd together with continued improvements in sow productivity are likely to mean that clean pig slaughterings in the second half of 2009 will rise above year earlier levels.



FEED PRICES

- USDA May forecasts indicate that global wheat production is projected to reach 658 million tonnes in 2009/10. This is down 25 million tonnes from the record 2008/09 figure but is still significantly higher than in the preceding two seasons. EU-27 production is forecast at 138 million tonnes, down nine per cent from 2008/09; however EU production will still be well above the 120 million tonnes produced in 2007/08 when feed prices rose sharply.
- ADAS report that wheat conditions in the UK benefited from rainfall in May. However, there are still concerns on the deficits in soil moisture in some eastern counties. Wheat crop development is seen as being variable, but crops are generally ahead of last year

- Rain in May has brought relief to crops in Europe, although lack of rain remains a concern in Hungary, Bulgaria and Spain.
- The UK delivered feed wheat price continued to increase during May; in the week ended 29 May it averaged £121/tonne, £28 (19%) lower than a year earlier. Futures market prices also moved higher in May. The LIFFE futures market indicates higher prices from this year's harvest, although prices should remain well below the record levels of 2007-08. The November 2009 futures price is currently £131/tonne while May 2010 is £138



CONSUMPTION

- Retail pork sales in volume terms were unchanged compared with a year earlier in the four weeks ended 17 May. However, higher average prices meant that expenditure was up by nine per cent. There was a 16 per cent increase in steak purchases and shoulder roasts were two per cent higher although declines were recorded for other cuts.
- Bacon purchases were up eight per cent in the latest period, although this appears to be due to a dip in purchases in the same period last year.
- Pork and poultry consumption levels are continuing to hold up better than beef and lamb in the face of higher prices and the effects of the recession. This suggests there may have been some switch in consumer purchasing habits.

Trends in retail meat purchases (period ended 17 May)

	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	+1	+7	+6	+0	+7	+7	-2	+9	+11
Pork	-0	+9	+10	+2	+11	+8	-2	+9	+11
Bacon	+8	+9	+1	+1	+8	+8	-0	+12	+13
Beef	-2	+6	+8	-5	+6	+11	-5	+9	+14
Lamb	-14	-5	+11	-5	+1	+7	-5	+4	+10
Poultry	+4	+11	+6	+3	+9	+6	-0	+9	+9
Sausages	+7	+11	+5	+3	+12	+8	+2	+12	+10
Burgers	-11	+2	+15	-8	+4	+14	+3	+11	+7
Ham	-3	-2	+1	-4	+2	+7	-2	+6	+9
Total Sausage Rolls	-9	-9	-1	-8	-4	+4	-2	+2	+5
Pork/Cold Eating Pies	+7	+6	-1	+3	+6	+4	-1	+0	+1
Total Hot Pies	+4	+6	+2	-3	-1	+2	+1	+5	+4
Total processed products (prod wt)	-1	+4	+5	-2	+5	+7	-1	+5	+6
Pig meat	+0	+2	+2	0	+6	+6	+0	+7	+6
Beef	-7	+4	+11	-5	+6	+11	-3	+6	+9
Poultry meat	+3	+7	+4	-1	+3	+4	-1	+3	+4

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

Source: Taylor Nelson Sofres

This pig meat sector update was produced by:

Tony Fowler

Senior Economic Analyst

AHDB Meat Services Economic and Policy Analysis Group.

e-mail: tony.fowler@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: Jo Stanton on +44 (0)1908 844398 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>

© 2009 AHDB Meat Services. All rights reserved.