United Kingdom Pig Meat Market Update

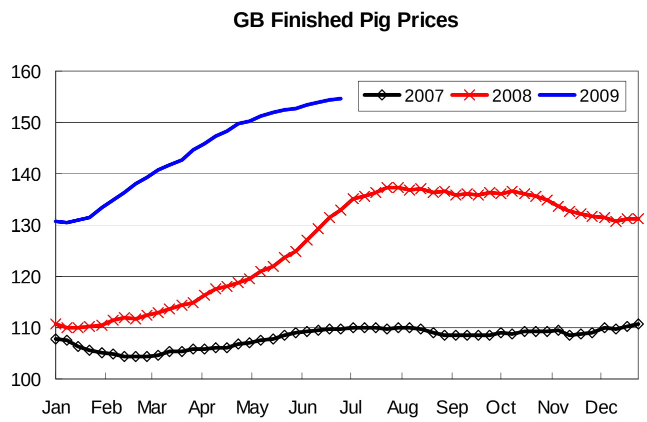
July 2009

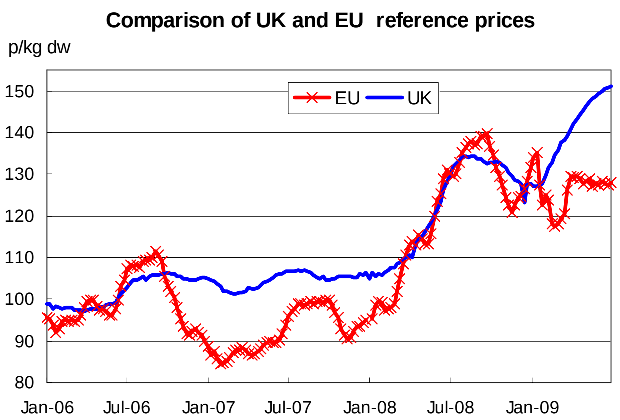
UK PRICES

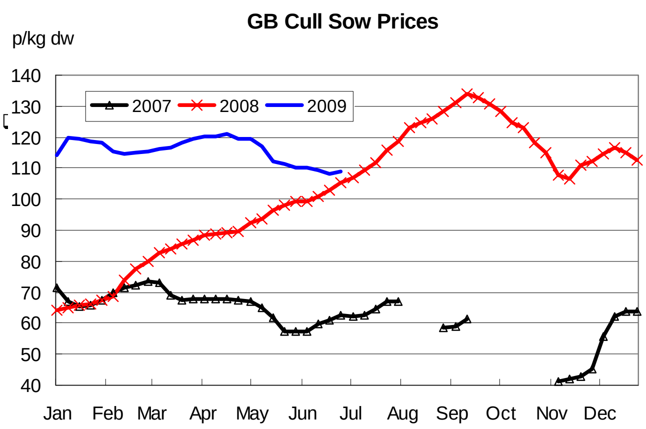
- Pig meat prices continued to strengthen during June, although at a declining rate. In the week ended 27 June, the DAPP averaged 154.6p/kg dw, which represented an increase of 16 per cent compared with a year earlier but was just 2p higher than at the end of May.

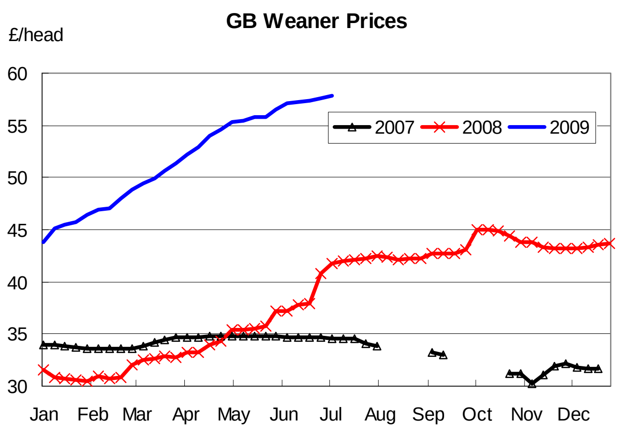
- Relatively tight supplies and good domestic demand for pork relative to other red meats are continuing to underpin the market. But a recovery in the value of sterling on the foreign exchange markets is likely to limit any further price improvements because it is leading to lower import prices in UK terms and higher export prices. Increasing imports of Dutch and Belgian pig meat have been reported as a result of the currency changes.

- Most sow meat produced in the United Kingdom is exported. Since the start of May, sow prices have therefore fallen back due to the recovery in the sterling exchange rate. In the week ended 27 June the price averaged 109p, about 12p less than the peak 2009 level seen in mid-April.









- 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 this year. The 30kg weaner price increased weekly between December 2008 and June 2009 and in the week ended 4 July averaged £57.78/head, £14 more than at the beginning of 2009. Weaner prices are now showing a steadier tone; this partly reflects the finished pig market but is also because the impact of the summer infertility problem has now passed.

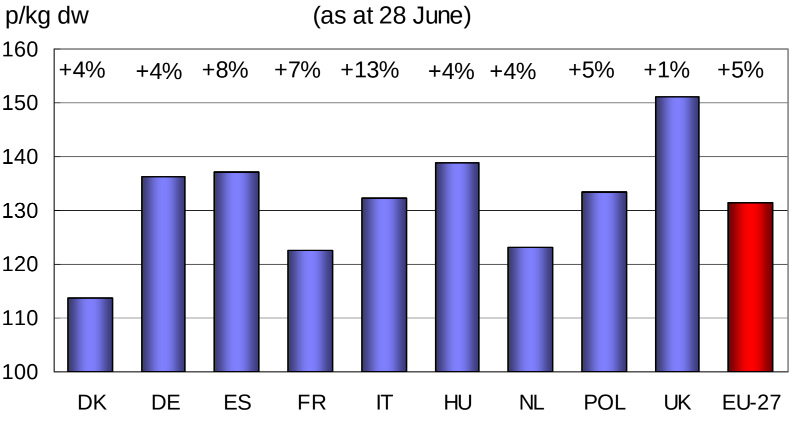
EU PRICES AND EXCHANGE RATES

- The average European pig price 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. Further price increases were recorded in June, with seasonally stronger demand and reductions in numbers of pigs on offer in some countries. Pig meat production levels were also hit by reported falls in carcase weights in some countries, France in particular.

- Export business was also reported to be brisk, with a strong demand for live pigs from eastern Europe.

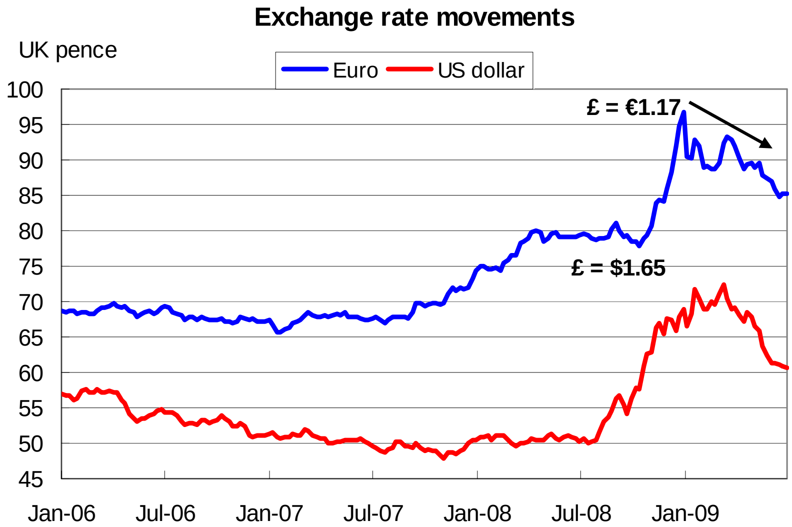
- In the week ended 28 June the EU-27 reference price averaged five per cent more than four weeks earlier, with particularly marked increases recorded in southern European countries. The overall price was six per cent lower than a year earlier in Euro terms but, due to the decline in the sterling exchange rate, was up one per cent in sterling terms.

Comparative EU pig prices



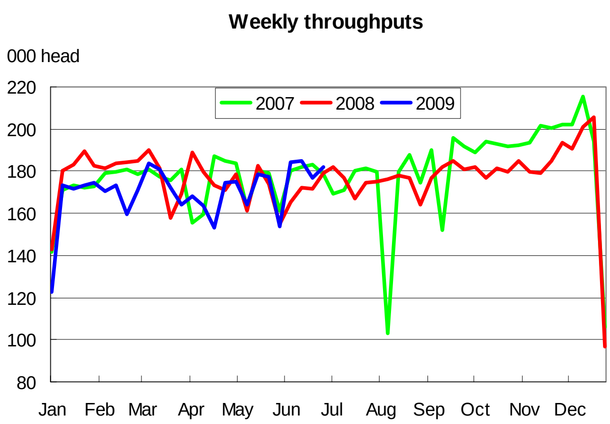
Figures at top of columns show % changes (in national currency terms) in 4 weeks to 28 June

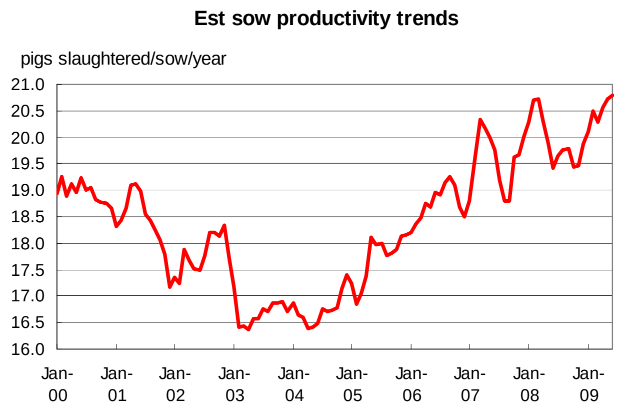
- Exchange rate markets are continuing to be an important driver in UK and European pig meat markets. Sterling fell sharply against both the Euro and the US dollar in the first quarter of 2009, but it has shown a significant recovery since April. The Pound has been buoyed by some recent data suggesting that the UK recession is easing and that consumers are more positive. In the middle of June the sterling exchange rate reached a seven-month high against the Euro and an eight-month high against the US dollar.

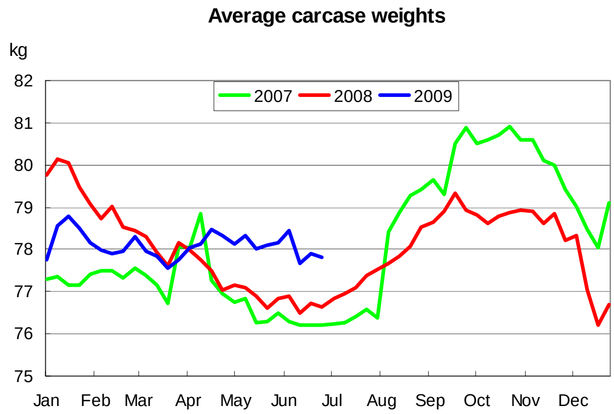


UK SLAUGHTERINGS AND PRODUCTION

- UK clean pig slaughterings totaled 674,000 in May, which was virtually the same as in the corresponding month a year ago. Average weekly throughput in May, at 168,000, was little changed compared with April and in fact has been relatively stable since February. The impact of the still-declining breeding herd in the second half of last year has been offset by an increase in apparent sow productivity. Slaughter levels in May implied a five per cent increase in productivity compared with a year earlier.







- Provisional estimates for June suggest that slaughterings were six per cent higher than a year earlier, although this partly reflects relatively low throughputs in June 2008.

- Looking forward, the 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

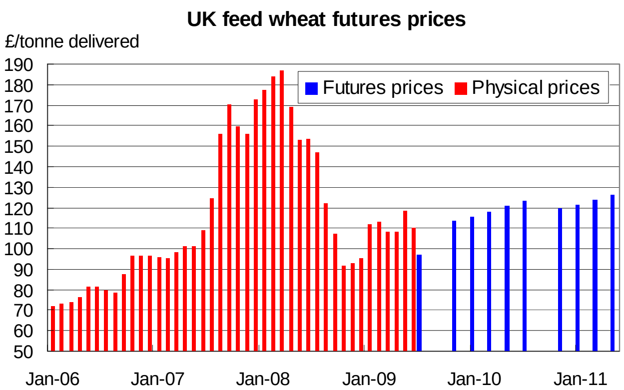
- USDA June forecasts indicate that global wheat production is projected to reach 656 million tonnes in 2009/10, down from the 658 million tonnes forecast in May. This is down 26 million tonnes from the record 2008/09 figure but is still significantly higher than in the preceding two seasons.

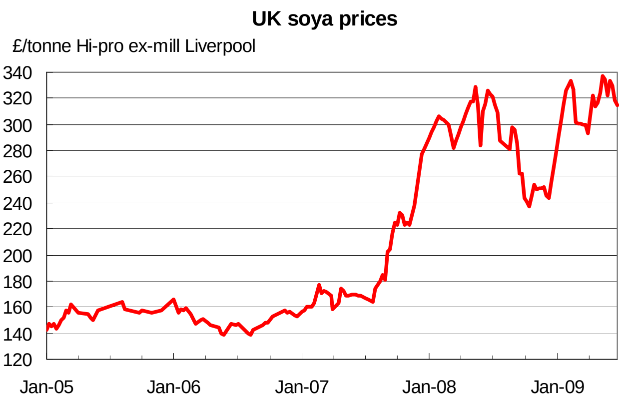
- Unfavourable dry, hot weather across Europe has led to reducing EU grain production expectations. EU-27 production in 2009/10 was forecast in June at 136 million tonnes (May forecast = 138 million tonnes), down 10 per cent from 2008/09. However EU production will still be well above the 120 million tonnes produced in 2007/08 when feed prices rose sharply.

- The UK delivered feed wheat price continued to increase during May; in the week ended 29 May it reached £121/tonne. However, despite EU crop forecasts being revised downwards, prices moved sharply lower during June. This was partly due to the strengthening of sterling. By the week ended 26 June the feed wheat price, in East Anglia, was down to £101/tonne, 36 per cent lower than a year earlier.

- Futures market prices also moved lower in June. 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 £114/tonne while May 2010 is £121.

- In the United Kingdom, soya prices have been at near record high levels, at over £300/tonne since the beginning of 2009. Soya meal (ex-mill, Liverpool) averaged £315/tonne in the week ended 26 June, £6 less than a year earlier.





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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)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