



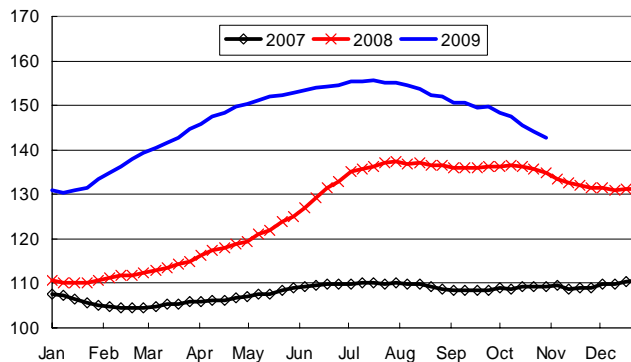
United Kingdom Pig Meat Market Update

November 2009

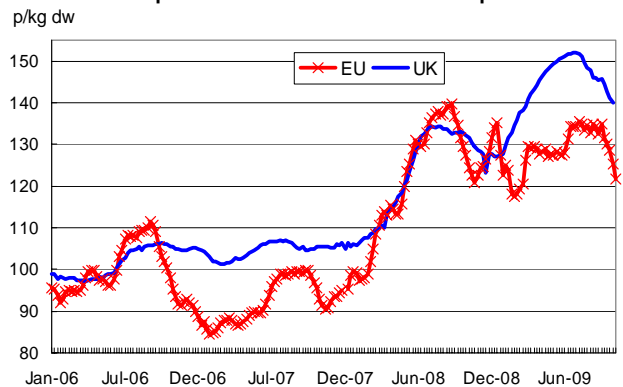
UK PRICES

- The DAPP has continued to move lower and, at 142.7p/kg in the week ended 31 October was 6p less than four weeks earlier. Imports of lower-priced manufacturing quality pig meat are likely to be a factor in the weaker market, rather than any fall in consumer demand.. In addition, a number of sellers have reported a backlog of pigs awaiting slaughter, and this has also led to a recent increase in average carcase weights.
- Nevertheless, prices remain high in an historical perspective. The DAPP, which is now back to the level seen in March, is still 8p higher than a year ago
- In line with the finished market, weaner prices have also weakened since mid-July. In the week ended 31 October the average price for a 30kg weaner was £49, down £3 compared with four weeks earlier.

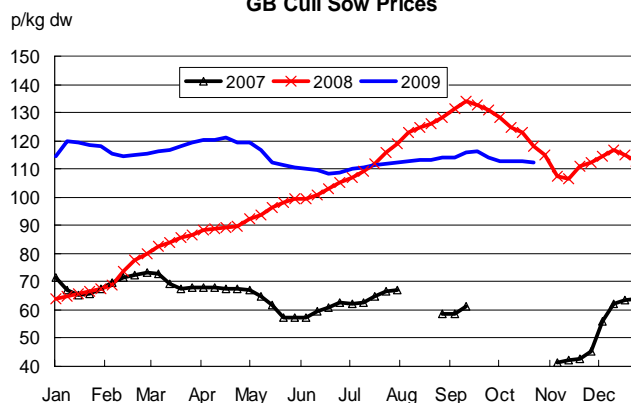
GB Finished Pig Prices



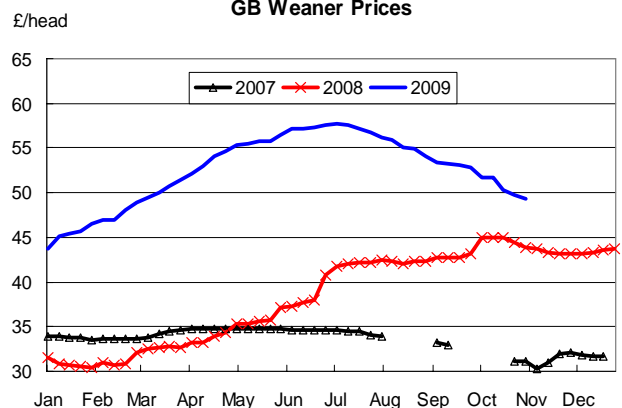
Comparison of UK and EU reference prices



GB Cull Sow Prices



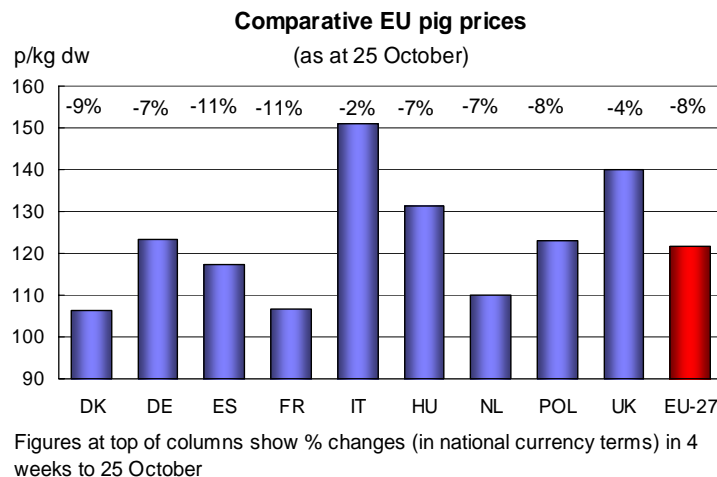
GB Weaner Prices



- The GB export sow price has been fairly stable over the last few weeks at just under 113p per kg. The gap between this year's and last year's price has narrowed to 10p. Last year sow returns fell away sharply from mid-September onwards as the European-wide credit crunch affected Continental demand.

EXCHANGE RATES AND EU PRICES

- Sterling fell sharply against the Euro in August and September, due largely to concerns on the foreign exchange markets about the increases in British public debt. Since then, the exchange rate has been steadier. The Euro was worth 91p at the end of October 2009 compared with 79p a year earlier.
- Since early September the overall tone of the EU pig meat market has been one of weakening prices. 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 placed some downward pressure on prices. Exports are also being hit by cheap meat from America. The French are seeking export restitution payments to help their meat to compete in international markets. In the week ended 25 October the EU average pig reference price was €134 per 100kg dw, eight per cent lower than four weeks earlier.



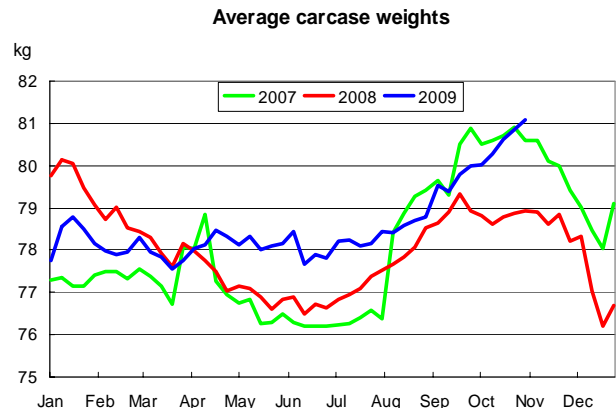
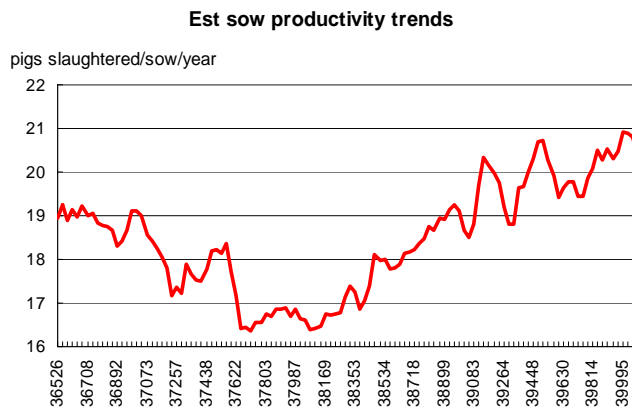
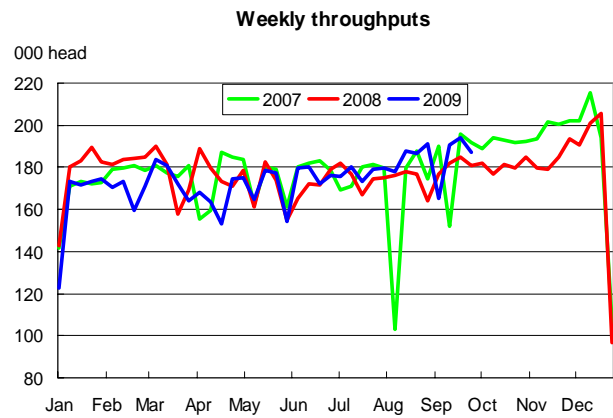
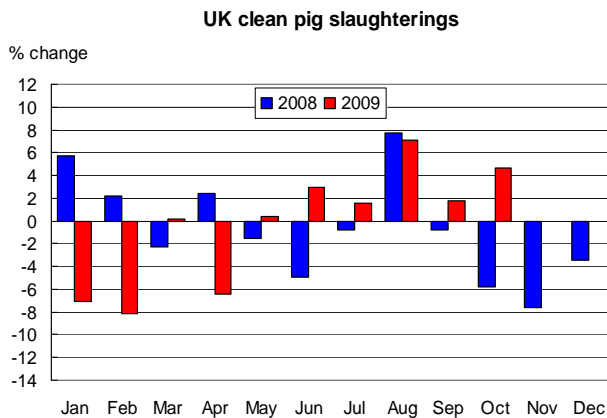
- Prices declined in all the major producing countries over this period. The decline in the United Kingdom (-4%) was well below the EU average. Consequently the UK price premium over average EU prices (weighted by UK import volumes) has moved higher. In the week ended 25 October the UK price premium over the weighted EU average was 28p/kg, compared with 24p at the end of September and 17p in October 2008.

UK SLAUGHTERINGS AND PRODUCTION

- Clean pig slaughterings were down on 2008 levels in the first half of 2009, but since June they have been higher than last year. Slaughterings in September totalled 737,000; this was equal to an average weekly throughput of 184,000 head, down slightly on August but still two per cent higher than a year earlier. Provisional estimates for October suggest that

average weekly throughputs increased to 189,000 a week, five per cent higher than last year.

- Up to now the driver of higher slaughtering in 2009 has not been increased sow numbers but improved sow productivity. Sow productivity (defined as the relationship between slaughtering and the lagged breeding herd) has been increasing for much of this year, and in September is estimated to have been five 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.
- Average carcass weights of pigs in the DAPP sample have increased seasonally since late June. By late October the average weight had increased to just over 81kg, up by 3kg since the beginning of July. At this level, average carcass weights were the same as two years earlier, when they were artificially high due to FMD restrictions creating a backlog of pigs awaiting slaughter.

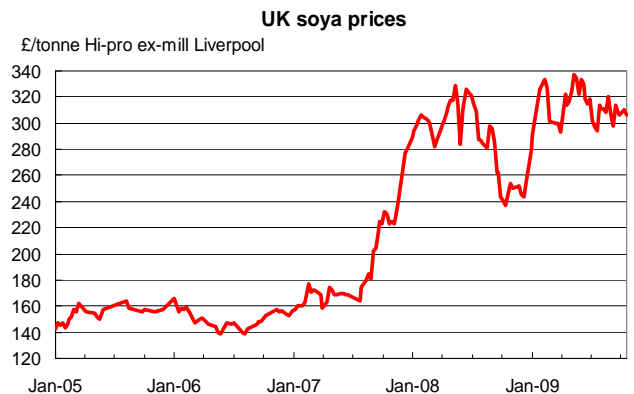
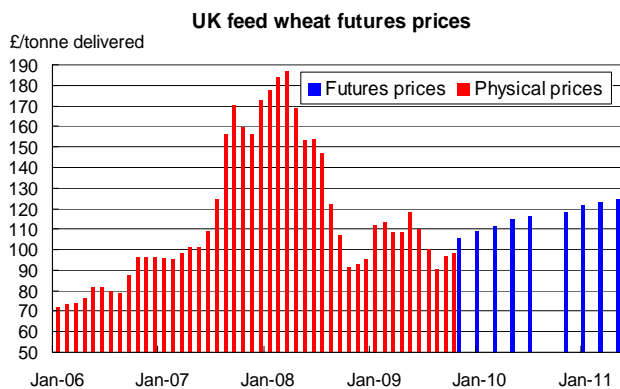


FEED PRICES

- World wheat production is forecast by the USDA at 668 million tonnes in 2009/10, down 18 million tonnes on 2008/09 but well above the levels of the two preceding seasons. Falls are predicted in many of the major production areas, including the EU (down 8% to 139 million

tonnes), United States (-11%) and the Ukraine (-22%) although a small increase of two million tonnes is expected in China.

- In the UK, Defra has provisionally estimated 2009 UK wheat production at 14.2 million tonnes, 18 per cent lower than in 2008. The final Defra estimates will be made available on 14 January 2010, while the first UK balance sheet for the 2009/2010 season will be published on 4 November.
- 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. Prices showed small further gains during October and 23 October closed at £102/tonne. On LIFFE UK wheat futures, feed wheat prices are at around £105 per tonne for November 2009 contracts and £118 for November 2010 contracts.
- In soyameal markets, the expected large US soyabean crop has been the main driver of markets. The latest estimate puts US soyabean production at 88 million tonnes, eight million tonnes higher than the previous year. The harvesting of the US soyabean crop has been delayed by slow development and now poor weather conditions. At 18 October, 30 per cent of the US crop had been harvested compared with the 5-year average of 72 per cent. In the UK, soyameal prices, ex-mill Liverpool, averaged £306 per tonne in the week ended 23 October, £14 less than two months earlier.



CONSUMPTION

- In the four weeks to 4 October 2009, households purchased five per cent more pork than a year ago. Steak purchases were down by 15 per cent but purchases of all other cuts were higher. With a number of attractive promotions, spending on pork was up four per cent in the period. The growth in pork sales comes at a time when beef and lamb are under pressure and are losing volume.
- Consumer purchases of bacon also soared in the four-week period ended 4 October resulting in an eight per cent growth in purchase volumes. Sausages also showed growth of two per cent. 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.

- TNS also reports that twice as many households bought bacon than fresh chicken breasts, while one and a half times more bought sausages.

	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	+1	+1	+1	+1	+0	-0	+6	+7
Pork	+5	+4	-1	-0	-0	-0	-0	+6	+7
<i>Belly</i>	+21	+20	-1	-3	-1	+2	-6	+7	+14
<i>Chops</i>	+12	+11	-1	+15	+11	-3	-2	+8	+10
<i>Steak</i>	-15	-7	+9	-6	-2	+4	+5	+8	+3
<i>Roasting joints</i>	+22	+8	-11	+0	-5	-5	-6	+2	+8
Bacon	+8	+4	-4	+8	+3	-5	+3	+8	+5
Beef	-5	-3	+2	-1	-1	-0	-3	+6	+10
Lamb	-12	-7	+6	-13	-7	+7	-10	-1	+9
Poultry	+2	+6	+3	+3	+6	+2	+2	+8	+6
Processed products									
Pork Sausages	+2	+4	+2	+3	+6	+3	+3	+11	+8
Fresh Pre-packed Pork Pies	-2	+2	+4	+6	+8	+1	+3	+5	+2
Fresh Pre-packed Sausage Rolls	-1	-2	-1	+2	-0	-2	-1	+1	+2
Pork Chilled Ready Meals	+19	+10	-7	+26	+17	-7	-4	-4	+0
Pork Sliced Cooked Meats	-5	-3	+2	-2	-2	+0	-2	+3	+5

Q = quantity purchased, E = expenditure, P = price
Source: Taylor Nelson Sofres

This pig meat sector update was produced by:
Tony Fowler
Senior Analyst
AHDB Market Intelligence.
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)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>

© 2009 AHDB Meat Services. All rights reserved.