



## United Kingdom Pig Meat Market Update

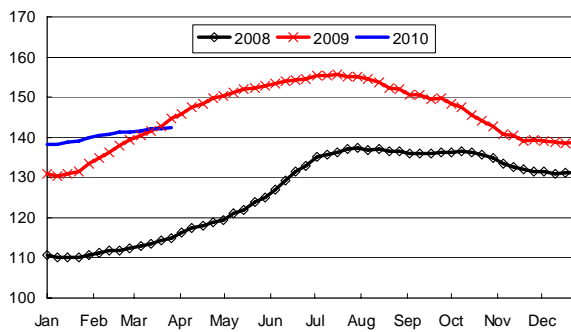
April 2010

### UK PRICES

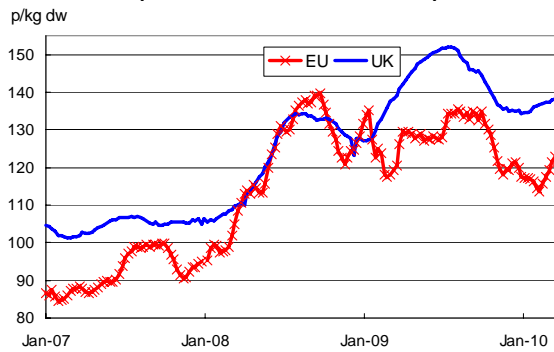
The DAPP increased marginally to 142p per kg in week ended 20 March, four pence higher than the start of the year. Producer prices are half a penny lower than what they were a year ago. Also, the average monthly price in February of 141p per kg, was four pence higher than the corresponding month a year ago.

Average carcass weights remained just above 79kg in the first three weeks of March, almost two kg heavier than the year earlier values and one kg heavier than the 2009 average. The trend highlights that the pig industry has been focused on slaughtering pigs at heavier weights. Probe values reduced to below 11mm throughout March, indicating that heavier carcass weights are not having an adverse affect on producing lean pigs.

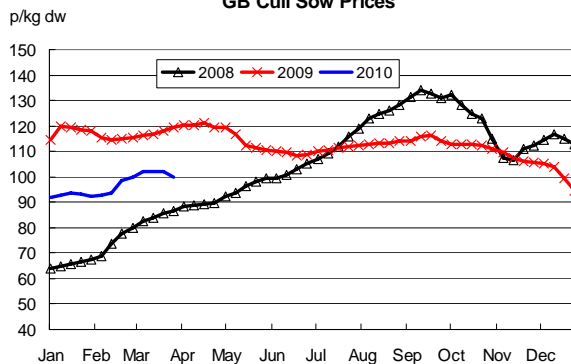
GB Finished Pig Prices



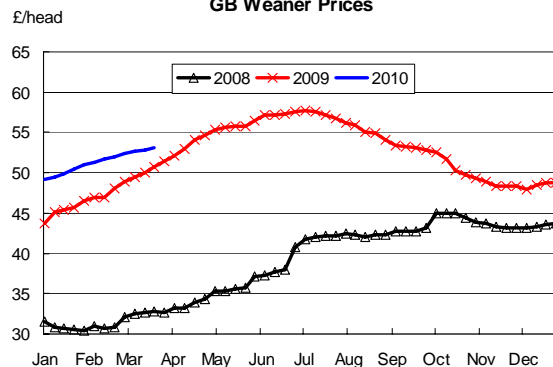
Comparison of UK and EU reference prices



GB Cull Sow Prices



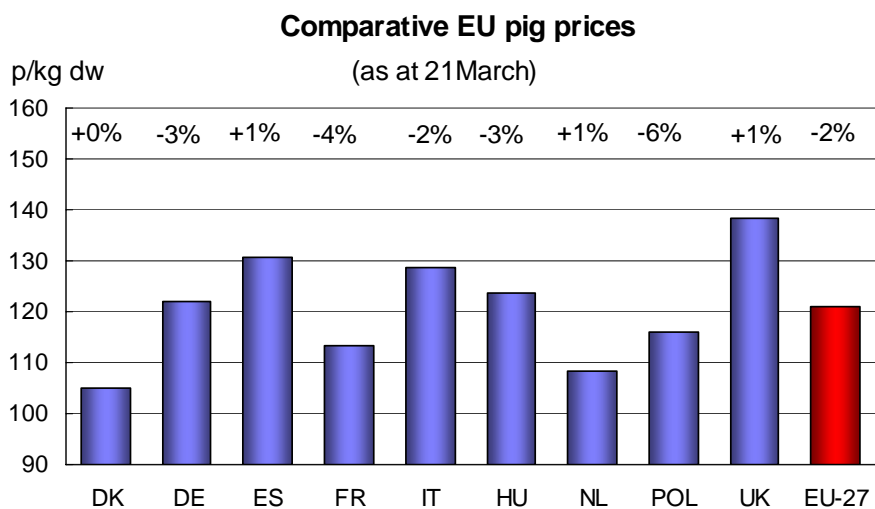
GB Weaner Prices



The 30kg GB weaner price increased to £53 per head in week ended 20 March, £4 higher than the start of the year and five per cent higher than the corresponding week a year ago. Throughout March buyers continued to offer higher prices to attract higher volumes of target specifications to the market.

The GB sow price in week ended 20 March increased to 102p per kg, six pence higher than the monthly average for February and 11 per cent higher than the start of the year. Although prices have fallen marginally from the highs in mid-February, German Grade M1 sows were valued at €1.09 per kg in week ended 20 March.

## EXCHANGE RATES AND EU PRICES



Figures at top of columns show % changes (in national currency terms) in 4 weeks to 21 March

During the first two months of the year the euro depreciated resulting in a four per cent increase in the value of sterling, however, since the start of March sterling has weakened, evaporating the gain previously achieved.

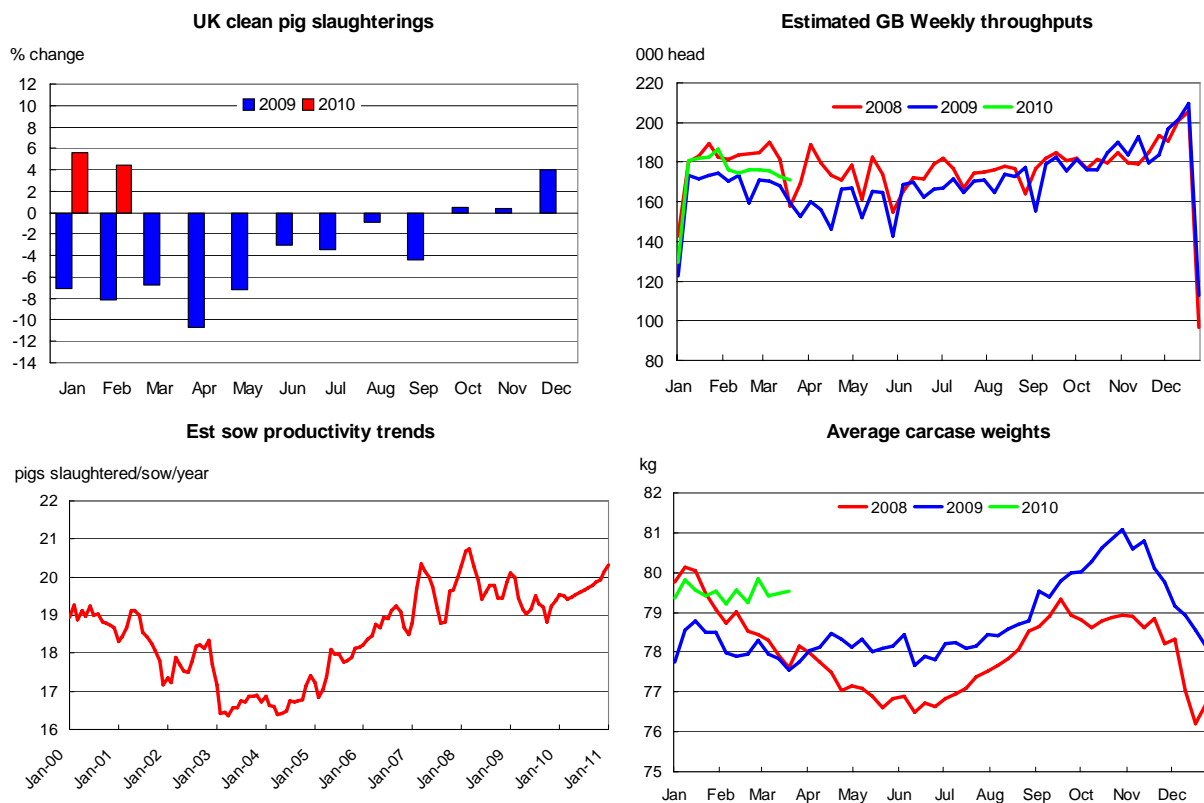
The EU pig reference price fell by one per cent to €134 per 100kg dw in week ended 20 March, three per cent lower than the corresponding week a year ago. In sterling terms, the EU pig price declined by two per cent on the week to 121p per kg, as a fall in the value of the sterling exacerbated the decline.

Prices in the major pig producing member states were largely unchanged in week ended 20 March. In countries where the average price did change, Spain (-4%), Italy (-2%) and Poland (-2%) all recorded marginal falls in prices quoted, influencing the overall EU average.

## UK SLAUGHTERINGS AND PRODUCTION

Results of the UK December Agricultural Survey showed national pig numbers increased by over one per cent to 4.6 million head in December 2009 compared with December 2008. Although sow numbers were unchanged at 306,000 head in 2009, the female breeding herd increased by almost three per cent as the number of gilts in-pig increased by 11 per cent to 60,000. Barren sow numbers were seven per cent high than year earlier. The number of finishing pigs on farm in December 2009 was one per cent higher on the year.

The survey results support the current quiet optimism within the industry with a greater opportunity of achieving a positive margin due to current market conditions in early 2010. However, they do not take into account the challenging weather conditions in early 2010 which will have affected productivity, through reduced growth rates and increased mortality, especially in outdoor herds.



Defra revised UK pig slaughtering data for the 2009 year. Approximately 47,000 head per month have been removed from the original data from March 2009 onwards and are specifically associated with England and Wales slaughterings.

The new data indicates 8.8 million clean pigs were slaughtered in the UK in 2009, four per cent fewer than in 2008. Some 6.9 million clean pigs were slaughtered in England and Wales in 2009 accounting for 78 per cent of the UK clean pig kill with Northern Ireland and Scotland accounting for 15 per cent and seven per cent respectively.

Year-on-year clean pig slaughterings were lower in the first nine months of 2009 until the final quarter when throughput increased by one per cent to average almost 790,000 pigs per month. Cull sow slaughterings during 2009 were revised to 207,000, 12 per cent fewer than in 2008. Slaughterings in England and Wales accounted for 95 per cent of the UK sow kill.

Pig meat production in 2009 has been revised to 720,000 tonnes, four per cent less than in 2008. The revised Defra data is more in line with original AHDB forecasts for 2009/10 and is also consistent with December census data, published at the beginning of March.

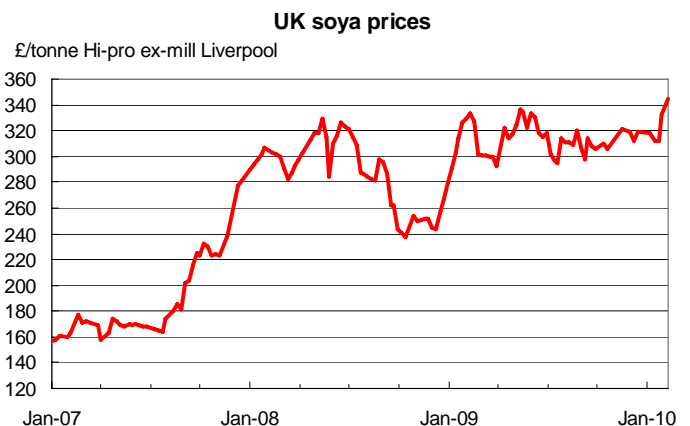
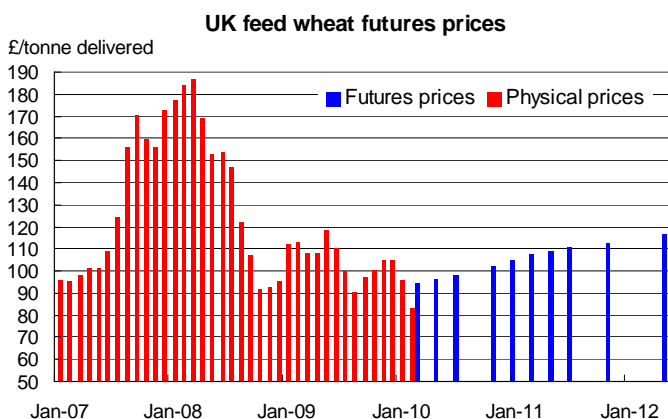
Over 704,000 clean pigs were slaughtered in the UK in February, four per cent more than in the corresponding month last year. In England and Wales clean pig slaughterings increased by four per cent to 547,000 head whilst throughput in Northern Ireland increased by 15 per cent to 113,000 head. Slaughterings of clean pigs in Scotland reduced by 10 per cent in the same month to 44,000 head. UK sow slaughterings increased by 1,500 head in February to 17,700 with 95 per cent killed in England and Wales.

During the first two months of the year, clean pig slaughterings in the UK were up by five per cent to 1.6 million head and sow slaughterings were marginally higher at 36,000 head.

UK pig meat production in February 2010 totalled 58,400 tonnes, seven per cent higher than in the corresponding month a year ago. The increased production was bolstered by the higher than average carcass weights which have continued throughout 2010.

## FEED PRICES

Exports have been a key area of the market throughout the end of March. US wheat exports are currently uncompetitive on the world stage. As such, EU origins have been taking more and more of world wheat trade. In the week commencing 22 March there were reports of EU wheat being shipped to Latin America and French wheat being shipped to Thailand, an occurrence not seen since the 1980's. The UK has benefited with a sale of 50,000 tonnes of feed wheat to the Philippines. The surge in EU exports has been triggered by US wheat being too highly priced and forcing itself out of the export market. At the same time, UK LIFFE wheat has fallen below US maize prices and so is seen at a very competitive price level.



On March 24, UK LIFFE prices were £96.55 per tonne for March and £102.55 per tonne for November 2010 delivery. The nearby prices equates into \$144 per tonne; to put this into context

CBOT maize is priced almost \$1 per tonne above UK LIFFE prices at \$145 per tonne. CBOT wheat was priced at \$175 per tonne at close on March 24, with MATIF wheat priced at \$166 per tonne. In the UK, East Anglia spot prices on March 24 were £96.50 per tonne.

The International Grains Council (IGC) released supply and demand estimations for the 2010 harvest. Global wheat production is forecast at 658 million tonnes and demand for the 2010/11 is estimated at 656 million tonnes indicating that the supply and demand balance in the wheat market is tightening. However, it is estimated that there will be 199 million tonnes of global wheat ending stocks in 2010/11 with a large carry of over 190 million tonnes from the 2009/10 season. The IGC estimate a record global maize planted area of 156 million hectares in 2010/11, with an increase in US maize area in response to maize being a more viable spring planting option than spring wheat in the US.

In South America, the soyabean harvest is well underway in Brazil and Argentina. This harvest is expected to produce record crops of 67 million tonnes for Brazil and 51 to 55 million tonnes for Argentina. However, due to the large supplies expected there are concerns over the transport and port infrastructure capacity. Strikes at Argentine ports, as workers demand pay rises have the potential to delay shipments and shift demand away from South America. The large demand for ships into this region has also helped to increase freight rates which make South American exports more expensive. There has been some switching of trade with Israel recently buying soyameal from EU origins and quoting the high freight costs from South America as the reason for the EU purchases. In the latest HGCA feed ingredients price survey, FEMAS soyameal, ex-mill Liverpool, was quoted at £335 per tonne over £25 per tonne, above prices recorded last month.

## **CONSUMPTION**

Data from Kantar Worldpanel indicates that the volume of pork purchased from GB retailers in the four weeks to 21 February decreased by eight per cent to 14,000 tonnes compared with the same period a year earlier. Expenditure also decreased, but to a lesser extent, by five per cent to £68,000 in the four-week period. This was largely as a result of reduced purchases of leg roasting joints in the period; down by almost half compared with the same period a year earlier. However, purchases of shoulder roasting joints increased by 30 per cent to go some way to offsetting this reduction. This may be explained by the price differential between the two cuts. Purchases of pork for frying and grilling steaks also reduced, by 13 per cent to 3,700 tonnes. Other cuts of fresh and frozen pork fared better, although the three remaining categories contribute less than 5,000 tonnes towards total purchases.

Other pig meat product retail purchases increased during the four week period to 21 February with bacon, pork sausages and other processed product all increasing in volumes purchased.

Despite a reduction in the latest four week period for fresh and frozen pork the results for the 12 and 52 week periods for pork remain positive.

Household purchases of fresh and frozen lamb in the 12-week period ended 21 February were five per cent lower than in the corresponding period a year earlier whereas purchases of fresh and frozen beef were four per cent higher compared with the corresponding period a year earlier.

### Trends in retail meat purchases (period ended 21 February 2010)

	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								
<b>Fresh and frozen meat</b>	<b>+2</b>	<b>+1</b>	<b>-1</b>	<b>+2</b>	<b>+3</b>	<b>+1</b>	<b>+1</b>	<b>+3</b>	<b>+2</b>
Pork	-8	-5	+3	+3	+2	-1	+3	+4	+1
<i>Belly</i>	+21	+18	-3	+11	+13	+1	+3	+10	+7
<i>Chops</i>	+10	+10	-1	+2	+1	-0	+2	+4	+3
<i>Steak</i>	-13	-10	+3	-9	-2	+8	-3	+4	+7
<i>Roasting joints</i>	-17	-12	+6	+11	+3	-7	+8	+2	-6
Bacon	+4	+2	-2	+3	+3	+0	+3	+4	+0
Beef	+1	-1	-2	+4	+3	-1	-1	+2	+3
Lamb	-5	-1	+4	-4	+0	+5	-8	-3	+6
Poultry	+7	+4	-3	+3	+5	+2	+3	+6	+3
<b>Processed products</b>									
Pork Sausages	+1	-2	-3	+7	+6	-1	+4	+8	+4
Fresh Pre-packed Pork Pies	+11	+7	-4	+5	+5	-0	+4	+6	+2
Fresh Pre-packed Sausage Rolls	+8	+4	-4	+2	N/C	-1	-2	-2	-1
Pork Chilled Ready Meals	+48	+21	-18	+41	+17	-17	+15	+8	-6
Pork Sliced Cooked Meats	+0	+1	+1	-1	+1	+2	-2	+2	+3

Q = quantity purchased, E = expenditure, P = price  
Source: Kantar Worldpanel (formerly TNS)