

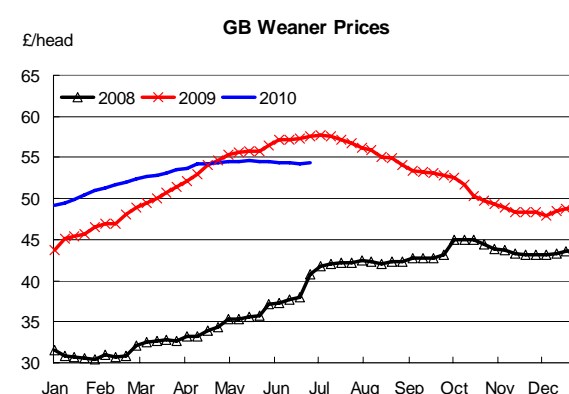
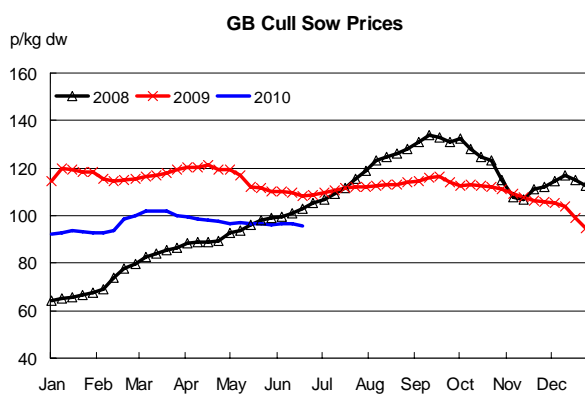
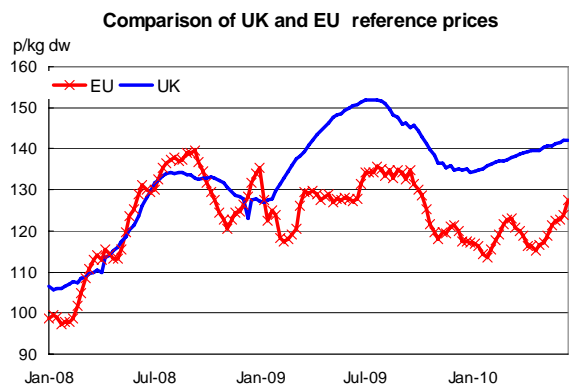
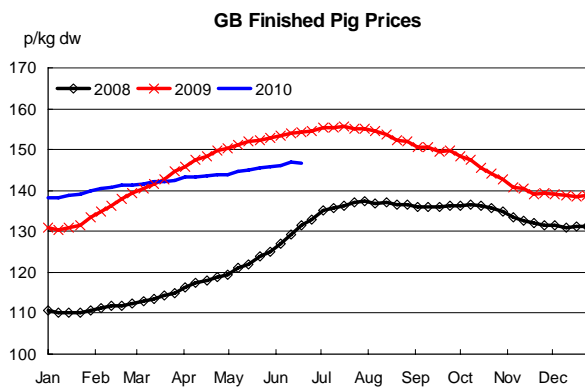


## United Kingdom Pig Meat Market Update

July 2010

### UK PRICES

The deadweight average pig price continued to rise in May and into June. However, by the third week of June the price stabilised and actually recorded a marginal fall. The slow-down in the increase in the DAPP has matched the trend experienced in 2009 although not to the same extent with current prices five per cent lower than a year earlier. The DAPP sample has reported carcase weights of just over 78 kg in recent weeks following a sharp decline which occurred in May from over 79kg. This coincided with a reduced probe measurement which has, since mid-May, returned to around 11mm.



The weaner market in Great Britain has been firm so far in 2010 with prices increasing in the first five months of the year. This largely reflects the good finished pig market. However, as with the finished pig market the Great Britain weaner price is no longer above year earlier levels.

The June average of £54.32 per head is five per cent lower than in June 2009 which is similar to the year on year reduction in the finished pig price. However, compared with January 2010 the weaner price in June was nine per cent higher. During June the weaner price levelled out and this trend could well continue in the coming weeks given that the finished pig price is becoming more stable.

In the first six months of 2010 throughput of the main companies handling weaners was well above the volumes of a year earlier and demand in recent months has been reported as good. Some shortages of weaners were reported earlier in the year which may have contributed to the price increases. Despite this, increasing availability of weaners is expected given the three per cent rise in UK breeding pig numbers, as shown by the December 2009 survey, and increases in piglets reared per sow. The December 2009 survey also showed that the number of piglets was four per cent more than a year earlier.

## **EXCHANGE RATES AND EU PRICES**

European sow prices increased in early 2010, peaking in mid-February. However, since the start of spring, prices have tended to stabilise and remain below those of the same time last year.

In Denmark, sow prices are approaching 30 per cent higher than at the beginning of the year, but remain four per cent lower than mid-May in 2009. Despite slaughterings being 35 per cent lower in January 2010 than January 2009, sow cullings to mid-May increased and are currently only one per cent lower than in mid May 2009.

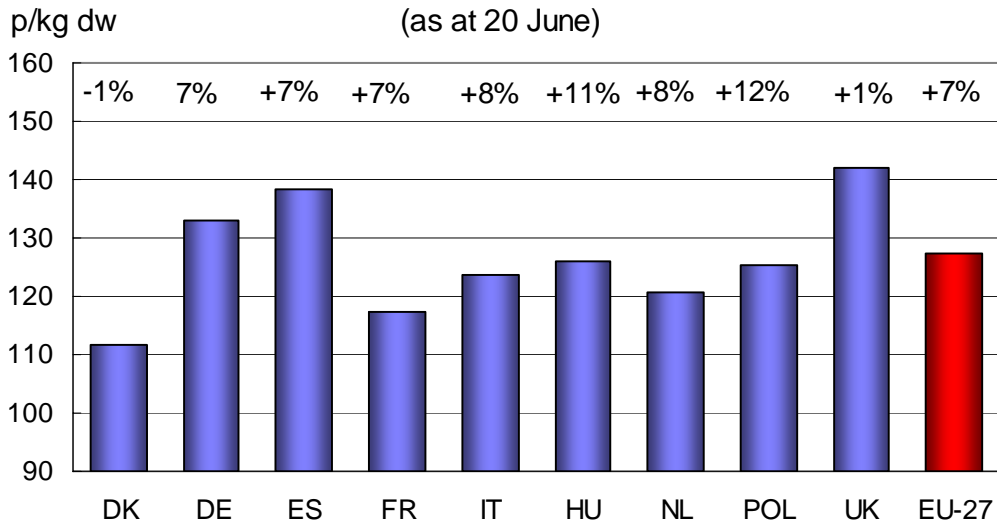
In Germany, prices rose by over 10 per cent between January and mid-February but then decreased until late March. Prices have since stabilised around €1.13 per kg, at almost 10 per cent lower than the same period 2009. Sow cullings have remained at similar numbers to 2009, with very little deviation.

The Netherlands has experienced similar price increases in 2010 but with less variation. Prices are currently at 10 per cent higher than 2009.

In Great Britain, sow prices in euro terms increased by almost 10 per cent between January and late-February but have since stabilised at prices similar to Germany. In week ending 22 May 2010, prices were €1.12 per kg, 11 per cent lower than last year. In pence per kg equivalent, prices have continued to fall. As of week ending 22 May 2010, the price had fallen to 97 pence per kg due to the further weakening of the euro, representing a reduction of 15 per cent, compared with a year earlier.

Over the course of the last month the EU pig reference price has increased by five per cent compared with a month earlier. However, the average monthly price of €139 per 100kg was over three per cent lower than 12 months ago. In a number of member states the differential in the monthly average price between May this year and the corresponding month last year is negative. In Germany prices were down almost three per cent on the year, as too were prices in the Netherlands whilst prices in France were over two per cent lower than corresponding month a year ago. In contrast, in Denmark pig prices increased by almost four per cent in May compared with a year earlier and were firmer in Spain and Italy.

## Comparative EU pig prices



Figures at top of columns show % changes (in national currency terms) in 4 weeks to 20 June

The EU reference price has increased significantly in June with rises recorded in all major pig producing countries of Europe.

### UK SLAUGHTERINGS AND PRODUCTION

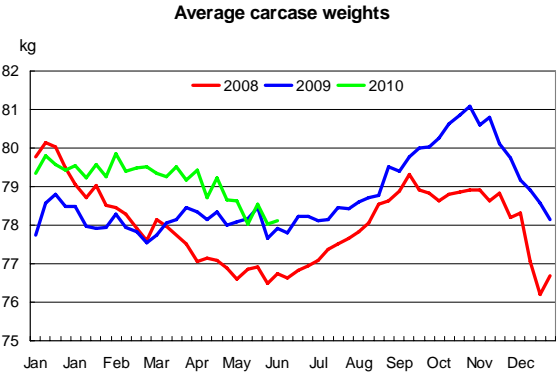
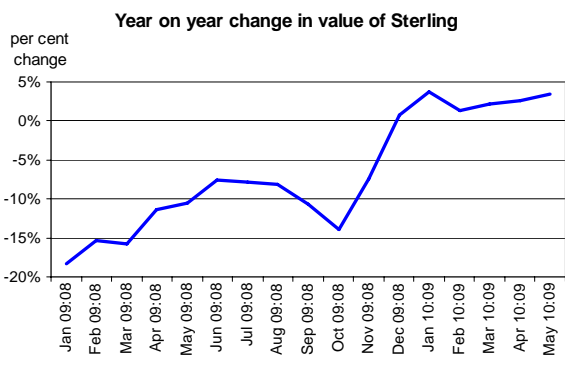
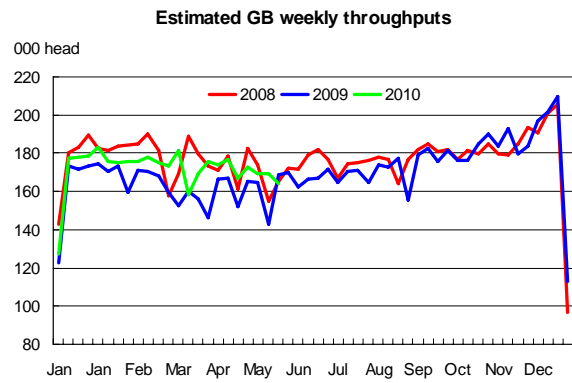
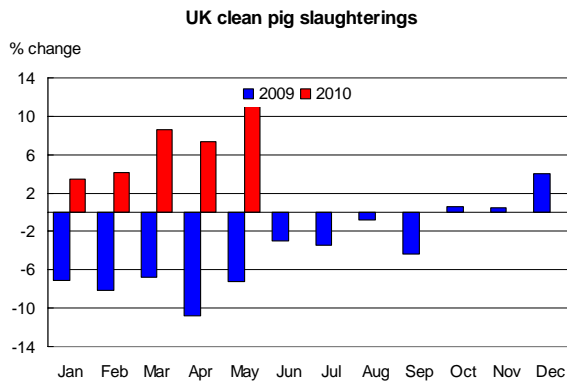
UK clean pig slaughterings totalled 690,000 head during May, 11 per cent higher than in the corresponding month a year ago. In the first five months of the year, clean pig slaughterings in the UK increased by seven per cent year-on-year to 3.8 million head.

Sow slaughterings in the UK totalled 16,000 during May, an increase of 12 per cent compared with the corresponding month a year earlier. In the year to date sow cullings are up 10 per cent. UK pig meat production during May totalled 57,000 tonnes, 12 per cent higher than last year. For most of 2010 average clean pig carcass weights have been approximately one kilogram higher than last year.

Increased slaughterings and carcass weights have resulted in nine per cent increase in pig meat production to 315,000 tonnes over the period January to May 2010.

The latest trade data indicates that UK exports of fresh, chilled and frozen pork in the first four months of 2010 increased by 22 per cent compared with a year earlier. The value of exports has increased by 25 per cent over the same period to over £45 million. With increased availability exports in April alone increased by 42 per cent compared with April 2009. The Netherlands increased deliveries from 960 tonnes in April 2009 to over 2,500 tonnes in April 2010. Their primary requirement is for bellies and shoulder cuts. Although there have been increased volumes exported to the EU there has been a 14 per cent reduction in trade with non-EU countries between January and April compared with the same period a year earlier.

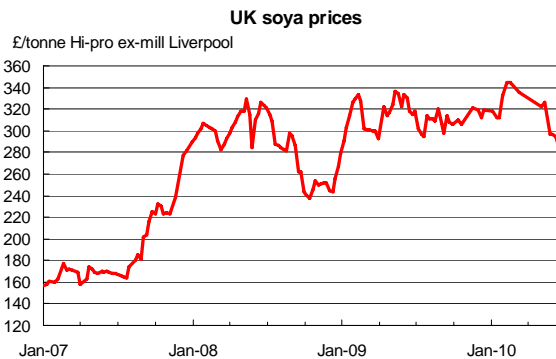
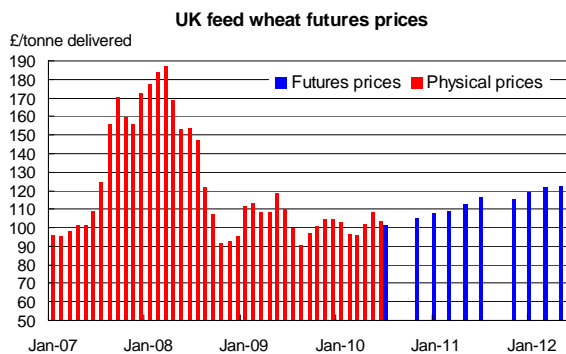
UK imports of fresh, chilled and frozen pork reduced by 12 per cent in the first four months of the year, largely due to imports from Denmark falling by almost 15,000 tonnes during the period. During April alone, Denmark exported 26 per cent less pork to the UK compared with the same month last year. As a result imports from Denmark accounted for only 22 per cent of all UK imports in April, compared with 24 per cent in the same month 2009. Reduced shipments from Germany and Spain also contributed to the reduction in imports into the UK over the first four months of the year. Despite a notable reduction in the volume of product delivered there has only been an eight per cent reduction in the value of pork imported to the UK.



## FEED PRICES

At this point in the year, the majority of the Northern Hemisphere wheat crop will be forming yield. With approximately 80 per cent of global production going through the same growth stages, the weather over this period can greatly affect the yield and quality of grain crops. Global markets will react accordingly to any weather event which is seen to have either a positive or negative impact upon final production.

Rains across much of West, Central and Eastern Europe over recent days are seen to have benefited wheat crops by adding to soil moisture. However, there have been reports of some localised flooding. Soil moisture across Europe is seen to be adequate for the current wheat crops needs. European trade organisation COCERAL have made reductions to their forecasts for the main grain and oilseed crops in the EU for harvest in 2010. COCERAL estimates that in 2010 the EU will produce 132.2 million tonnes of soft wheat, down from 133.5 million tonnes made in the previous estimate in March. However, the estimate for 2010 production is above 2009 output of 130.7 million tonnes.



COCERAL have also released estimates for individual countries. The forecast for UK wheat production in 2010 is put at 15.88 million tonnes, which is well above the 14.3 million tonnes estimated for production in 2009. Markets across Europe are awaiting more information on the size and quality of the European feed grain crop before finding a direction.

Internationally, rains across Canada have dominated markets as flooding and poor soil conditions led to planting being at a virtual standstill. Production estimates are now 30 per cent below 2009 at 18.9 million tonnes for 2010 harvest. In the US, dry weather has led to some concerns over the developing maize crop, however a recent USDA crop progress suggests that 75 per cent of the crop is in a good or excellent condition (at June 20th) compared to 70 per cent a year previous.

In the UK, prices have been under pressure from a stronger sterling against the euro, making UK exports less competitive into European destinations. Nearby LIFFE wheat futures have fallen from £105.90 per tonne at May 28th, to £98.50 per tonne at June 23rd. Physical prices have followed with spot E.Anglia delivered feed wheat down from £109.50 per tonne at end-May to £103 per tonne at June 18th.

A recent HGCA feed ingredients price survey put FEMAS soyameal, ex-mill Liverpool, for August delivery at £284.50 per tonne. Spot FEMAS soyameal was quoted at £288 per tonne. The soyameal market has been under pressure from heavy supplies of soyabeans from South America, strong demand for beans from China and a positive start to the US soyabean goring season.

## CONSUMPTION

The producer pig price rose by one per cent between April and May while the average retail pork price fell by a similar amount in the period. As a result during May the proportion of the retail price which producers receive edged over 40 per cent. In May last year, producers received almost 42 per cent of the final retail price.

The average retail price for bacon fell during May following higher quotations in April. Producers received over 33 per cent of the retail price in May, compared with 32 per cent achieved in the same month last year.

In the four-week period ended 16 May households purchased eight per cent more pork than a year ago. As a result of strong promotional activity, combined with some shift in consumers' buying patterns, there was a significant increase in household purchases of shoulder roasting

joints and loin roasting joints, up by 62 per cent and seven per cent respectively. There is some evidence that consumers have substituted beef and lamb with pork, particularly in the roasting cuts. In the four weeks ended 16 May purchases of pork belly were up 32 per cent.

Household expenditure on pork increased by three per cent year-on-year to £66 million. Expenditure on shoulder roasting joints increased by 38 per cent compared with the same period a year ago, whilst spending on loin roasting joints was almost four per cent higher. Consumer purchases of bacon also soared in the latest four-week period, volume purchases increasing nine per cent year on year. During this period consumers spent £93 million on bacon, almost four per cent more than in the corresponding period in 2009.

### Trends in retail meat purchases (period ended 16 May 2010)

|                                | 4 weeks<br>2010/09                    |           |           | 12 weeks<br>2010/09 |           |           | 52 weeks<br>2010/09 |           |           |
|--------------------------------|---------------------------------------|-----------|-----------|---------------------|-----------|-----------|---------------------|-----------|-----------|
|                                | Q                                     | E         | P         | Q                   | E         | P         | Q                   | E         | P         |
|                                | % change compared with a year earlier |           |           |                     |           |           |                     |           |           |
| <b>Fresh and frozen meat</b>   | <b>+4</b>                             | <b>+3</b> | <b>-1</b> | <b>+3</b>           | <b>+2</b> | <b>-1</b> | <b>+2</b>           | <b>+2</b> | <b>+0</b> |
| Pork                           | +8                                    | +3        | -5        | +3                  | +1        | -2        | +3                  | +2        | -1        |
| <i>Belly</i>                   | +32                                   | +27       | -4        | +16                 | +14       | -2        | +9                  | +11       | +2        |
| <i>Chops</i>                   | -9                                    | -8        | +1        | -1                  | -2        | -0        | +4                  | +3        | -1        |
| <i>Steak</i>                   | +3                                    | -1        | -4        | -7                  | -8        | -2        | -6                  | -2        | +4        |
| <i>Roasting joints</i>         | -18                                   | -19       | -2        | -1                  | -6        | -4        | +11                 | +4        | -6        |
| Bacon                          | +9                                    | +4        | -5        | +8                  | +4        | -4        | +5                  | +3        | -2        |
| Beef                           | +2                                    | +2        | -0        | +3                  | +2        | -1        | +1                  | +1        | +1        |
| Lamb                           | -1                                    | +2        | +3        | -4                  | -0        | +4        | -8                  | -3        | +5        |
| Poultry                        | +2                                    | +3        | +1        | +2                  | +2        | +0        | +3                  | +5        | +1        |
| <b>Processed products</b>      |                                       |           |           |                     |           |           |                     |           |           |
| Pork Sausages                  | -3                                    | +5        | +8        | -5                  | +2        | +7        | +2                  | +5        | +3        |
| Fresh Pre-packed Pork Pies     | +6                                    | +7        | +1        | +7                  | +6        | -1        | +5                  | +6        | +1        |
| Fresh Pre-packed Sausage Rolls | +5                                    | -2        | -7        | +10                 | +3        | -6        | +3                  | -1        | -3        |
| Pork Chilled Ready Meals       | +38                                   | +9        | -21       | +36                 | -1        | -27       | +26                 | +8        | -14       |
| Pork Sliced Cooked Meats       | +1                                    | +3        | +2        | +1                  | +2        | +1        | -0                  | +1        | +2        |

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