



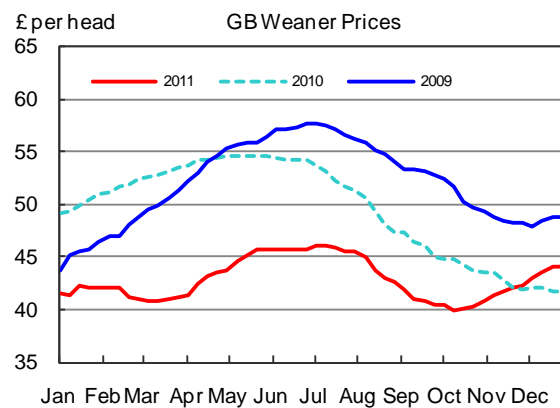
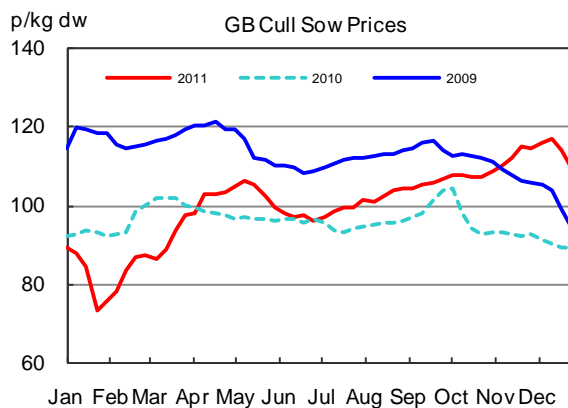
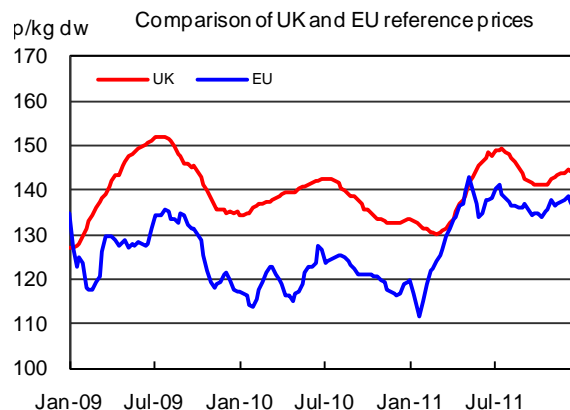
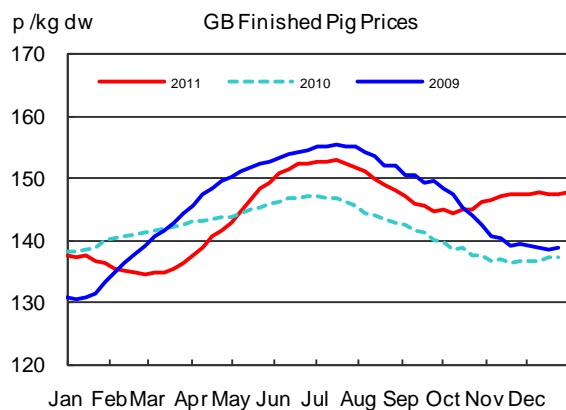
United Kingdom Pig Meat Market Update

January 2012

UK PRICES

The DAPP went against the usual seasonal trend and strengthened in November, averaging nearly two pence higher than in October at 147.41p per kg dw, nearly 11 pence higher than year earlier levels. The price stabilised during the second half of the month and this stability continued into December with the DAPP little changed at 147.85p per kg dw in the week ended 31 December, still 10 pence per kg higher than the corresponding week in 2010. The market has been broadly balanced in the run up to Christmas. As well as robust domestic demand, export demand remained strong and EU prices were high, limiting the availability of cheaper imports.

The premium for the UK pig reference price compared with the EU average was steady at about 6p per kg between September and November, lower than the premium seen for much of the last two years. However, the strengthening of the pound against the euro led to an increase in the premium to around 9p per kg by mid December.



The monthly average carcass weights of pigs in the DAPP sample continued to decrease steadily, with the November average falling to 79.23kg, almost one per cent lower than the same month in 2010. The seasonal decline in carcass weights continued into December as some pigs were marketed early in advance of the Christmas holidays.

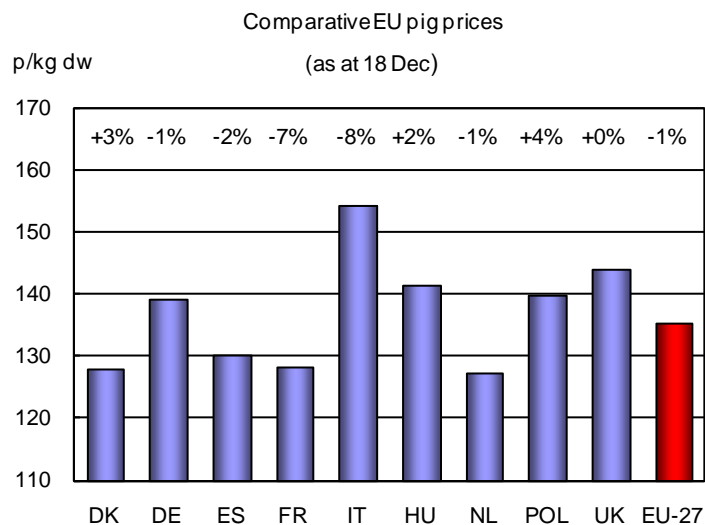
Demand for weaners increased on the back of some decline in feed prices and the anticipation of higher finished pig prices in the spring. This has pushed prices up gradually in recent weeks, with the average 30kg weaner price reaching just under £42 per head in November. This price was four per cent higher than the previous month but still nearly two per cent lower than in November 2010. Prices continue to increase, rising to over £44 per head during the second half of December, above year earlier levels.

High demand for cheaper meat, from both domestic and export markets, continued to drive GB cull sow prices upwards. The November average stood at 114.28p per kg dw, almost six per cent higher than the October average and 23 per cent higher than prices a year earlier. Prices continued to increase in early December and stood at 116.98p per kg dw in the week ended 10 December, the highest price seen since April 2009. However, the normal decline in demand during the holiday period, combined with the weakening euro suppressing export demand, led to a sharp fall to 109.74p per kg in the week ended 24 December.

EU PRICES AND EXCHANGE RATES

The EU average pig reference price strengthened by over two per cent between October and November to stand at €159.80 per 100kg dw before stabilising at just over €160 per 100kg in the second half of the month and into December. The price rise has come as export demand holds strong, particularly from Asian markets, aided by the weakness of the euro. The November average was 16 per cent higher than the corresponding month in 2010. Prices at these levels have not been seen since October 2008. In recent weeks, prices in southern Europe have begun to decline again driven by weak consumer demand, with sharp falls in both Italy and France. However, prices in northern Europe have remained steady or even increased further.

The ongoing economic problems in the Eurozone, has led to the euro weakening against most major currencies, including the pound. During November, the exchange rate averaged €1.17, somewhat higher than it had been through most of the year. Into December, the pound continued to strengthen against the euro, reaching over €1.20 in the middle of the month before stabilising at around this level.



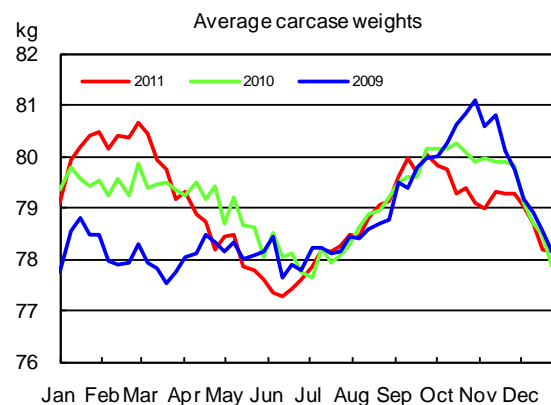
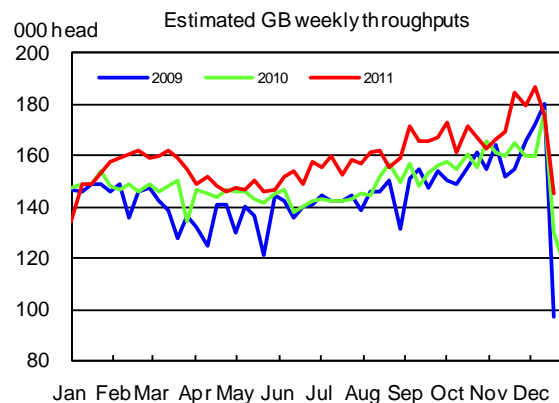
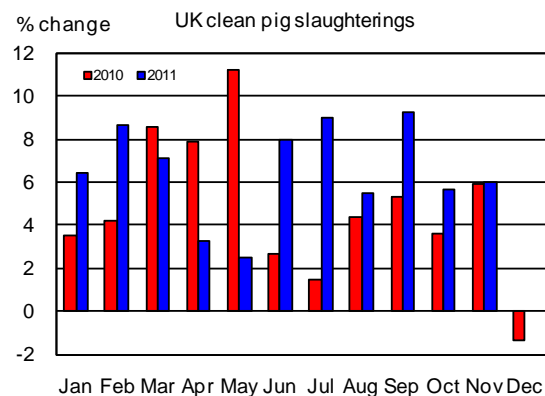
UK SLAUGHTERINGS AND PIG MEAT SUPPLIES

Clean pig slaughterings in the UK totalled 830,000 head in November 2011. This was six per cent higher than in November 2010. Throughputs were particularly high in Scotland, where 59,000 pigs were slaughtered, 26 per cent more than in the same month last year. Northern Ireland slaughterings were little changed from a year earlier at 131,000 head.

AHDB estimates for November are that sow slaughterings remained above year earlier levels, totalling 20,000 head, a rise of 11 per cent year on year. As cull sow prices remain high, producers are still actively replacing less productive animals. This brings the estimated slaughterings for the year to date to 223,000 head, 14 per cent higher than during the first eleven months of last year.

Continuing the pattern of most recent months, the average clean pig carcass weight during November was slightly lower than a year earlier. The October average was 78.8kg, which was 0.3kg lower than in the same month last year. The average carcass weight for cull sows was 144.1kg in November, the lowest figure since February.

Total pig meat production in November was 68,000 tonnes, up five per cent compared with the same month last year. This brought the total pig meat production for the year to 745,000 tonnes, six per cent higher than during the same months of 2010. With carcass weights slightly down on last year, this rise was driven by increased throughputs, with clean pig slaughterings for the year totalling 9.1 million head, also six per cent higher than last year.



UK imports of fresh and frozen pork during October 2011 totalled 30,000 tonnes. This was eight per cent lower than in October 2010. Lower shipments from major suppliers such as Denmark, Germany, Ireland and Belgium were partly offset by increased volumes from the Netherlands, France and Spain. Increased demand from third markets meant that unit prices for imports were 13 per cent higher than

a year earlier, so the value of imports rose by five per cent. The quantity of boneless cuts imported was higher than a year earlier, whilst shipments of bone-in hams were little changed. Most other fresh cuts were imported in lower quantities.

Bacon imports continue to track below year earlier levels. In October, shipments were three per cent lower year on year. A fall in shipments from the two largest suppliers, Denmark and the Netherlands, was largely offset by increased volumes from Germany and Ireland. In contrast, imports of sausages were up by eight per cent, with increased volumes from most suppliers, with the exception of the Netherlands.

Despite lower volumes in the last two months, imports of fresh and frozen pork for the first ten months of the year were five per cent higher than in the same months of 2010. The growth has been driven by shipments from Denmark, up by 28 per cent. Germany and Ireland also recorded increased imports, but the Netherlands and Belgium shipped lower volumes. In contrast, bacon imports were down by five per cent year on year, with all major suppliers experiencing reduced shipments. Sausage imports were 17 per cent up on the year, with particularly strong growth in imports from France, up more than five-fold.

Exports of fresh and frozen pork from the UK in October were 15 per cent higher than in October 2010 at 13,000 tonnes. As in most recent months, growth in exports to Hong Kong/China was the key driver of the increase, with Hong Kong the largest country market for the third time in four months. Exports to the EU were four per cent lower than a year earlier, with growth in shipments to Germany, Belgium and, particularly, France, offset by lower volumes sent to Ireland, the Netherlands and Denmark.

Pork exports for the first ten months of the year were up 17 per cent on the same period last year, totalling 121,000 tonnes. Over the year, Germany remained the largest market, with shipments being five per cent higher than year earlier levels. However, the recent boom in exports to Hong Kong/China means that this market is now only marginally behind. Other significant growth markets include France, South Korea, Sweden and Cyprus, all of which took at least twice as much UK pork as in the same period of 2010.

FEED PRICES

LIFFE wheat prices for May 2012 delivery have recorded little change through most of December as the market remained uncertain due to the ongoing economic situation. As of 23 December 2011, prices stood at £147.50 per tonne, slightly higher than at the start of the month. However, since Christmas, prices have moved higher on concerns over the South American maize crop, due to dry conditions. By 3 January 2012, the price had risen to £155.50, over ten pounds higher than in mid December. French wheat prices have followed a similar trend, rising by about €15 per tonne since Christmas.

Soyabean prices have also begun to increase in response to the dry conditions in South America, the world's major exporting region. By 3 January 2012, CBOT soyabean futures had risen by eight per cent since mid December.

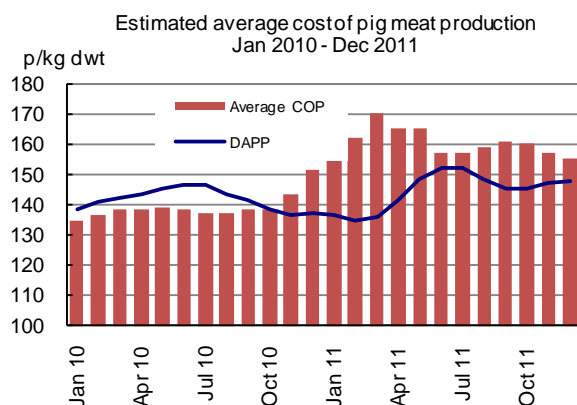
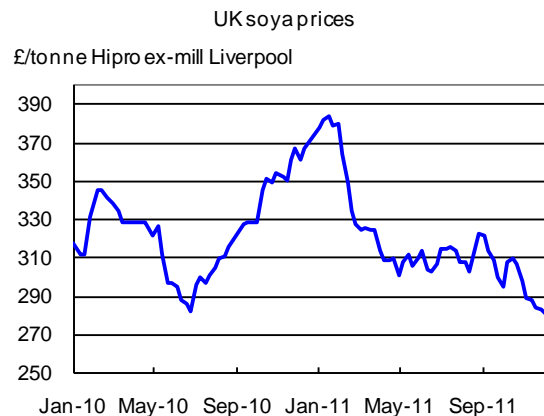
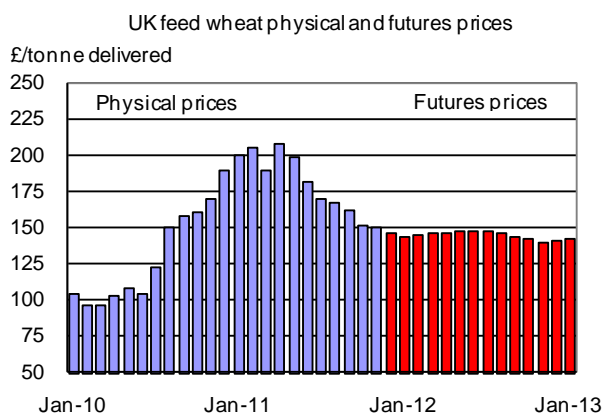
With conditions mild and dry throughout most of England, good progress has been made with drilling of oilseed rape, winter cereals and field beans. All crops are now in the ground with the exception of some first wheat crops which followed late harvested roots. The situation in Scotland is somewhat different as the wet harvest and subsequent delays in baling straw, along with further rain disruptions, have meant that progress has been slower.

In the latest USDA forecasts, expectations for 2011/12 world wheat production were increased by 5.7 million tonnes to a record 689 million tonnes. This was driven by better than expected crops in the Southern hemisphere. The report also indicated that world maize production would be higher than

previously thought with forecasts being revised upwards by 8.5 million tonnes to 867.5 million tonnes. Despite these increases, world maize supply and demand remains tight – giving price support to other grains. Grain markets await the next USDA report on 12 January to see how South American crop forecasts have changed in light of the recent dry weather.

The Australian Bureau of Resource Economics and Sciences (ABARES) December crop report forecasts a record Australian winter crop of around 43.4 million tonnes in 2011/12. This is an increase of 2.4 million tonnes on the September 2011 estimate. If realised this would be the largest winter crop on record. Recent rainfall in the east may have some detrimental effect on quality.

More favourable prices have helped to support maize plantings in Brazil, with soyabean losing out. National analysts CONAB forecast that the total maize area will increase by 4.5-6 per cent compared with the previous year, whilst the soyabean area will increase by only 1-3 per cent. The higher maize planting indicates that Brazilian farmers are responding to high prices driven by the low global stock situation as well as the need for crop rotations. Subject to the impact of recent weather conditions, greater maize production could aid the tight world maize balance sheet in early 2012. For soyabeans, with Brazil now forecast to be the world's largest soyabean exporter in 2012, any curtailment of production will have an impact on global trade amid strong demand for oilseeds and vegetable oils from Asia.



With prices for most components of pig feed falling, the average cost of production has begun to fall. Average costs in November are estimated to be about 3p per kg below those in October, with a further fall of 2p expected in December. Nevertheless, the November figure remains around 10p per kg above the DAPP, equivalent to a loss of around £8 per pig. The recent falls in feed prices could improve the situation but further falls will be needed for producers to return to a profitable situation.

CONSUMPTION

In the 12 weeks to 27 November 2011, Kantar Worldpanel data indicate that purchases of fresh and frozen pork increased by two per cent. All the other major meats were purchased in lower quantities than a year earlier, with overall meat purchases down by two per cent. Expenditure on pork increased by seven per cent, due to an increase in average price of five per cent. This was the result of a switch in promotional emphasis from cheaper shoulder roasting joints in 2010 to more expensive leg and loin roasting joints in 2011.

The amount of bacon purchased was little changed from the same period last year, but with increased prices, the amount spent was up by four per cent. Over the last two periods, rashers have suffered a slight decrease year on year. However, the strong performance of bacon joints, with purchases up over four per cent in the latest 12 weeks, has prevented total bacon volume from declining. Bacon joints are increasingly being purchased by consumers looking for cheaper protein alternatives and they have benefitted from increased promotional activity this year.

In the latest four-week period, purchases of fresh and frozen pork were three per cent lower than a year earlier. However, expenditure was up three per cent compared to November 2010. Again, sales of shoulder roasting joints have suffered from a significant decrease in price reduction promotions compared to the same period last year. Although total pork sales declined, purchases of bellies, chops and leg roasting joints were 17 per cent, 15 per cent and 10 per cent higher respectively.

Trends in retail meat purchases (period ended 27 November 2011)

	4 weeks 2011/10			12 weeks 2011/10			52 weeks 2011/10		
	Q	E	P	Q	E	P	Q	E	P
	% change compared with a year earlier								
Fresh and Frozen Meat, Poultry and Bacon	-3	+5	+8	-2	+4	+7	-0	+4	+4
Pork	-3	+3	+6	+2	+7	+5	+3	+3	+1
<i>Belly</i>	+17	+23	+4	+9	+14	+4	+5	+8	+3
<i>Chops</i>	+15	+9	-6	+6	+6	+0	+1	-4	-4
<i>Steak</i>	-6	-3	+3	-6	-2	+4	+3	+1	-2
<i>Leg Roasting Joint</i>	+10	+21	+9	+5	+15	+10	+7	+7	-0
<i>Loin Roasting joint</i>	-16	-7	+11	+21	+15	-4	+1	+1	+0
<i>Shoulder Roasting joint</i>	-24	-22	+3	-9	-1	+9	-7	-0	+7
Bacon	+5	+10	+4	+0	+4	+4	+4	+5	+1
Beef	-9	-0	+10	-6	+1	+8	-1	+2	+2
Lamb	-22	-9	+18	-19	-6	+15	-21	-8	+17
Poultry	-1	+9	+9	-1	+9	+9	+0	+8	+7
Processed products									
Pork Sausages	+2	+4	+2	+4	+6	+2	+4	+6	+1
Fresh Pre-packed Pork Pies	+10	+5	-4	+2	+4	+2	+2	+1	-0
Fresh Pre-packed Sausage Rolls	-4	+7	+12	-5	+4	+9	-1	+3	+5
Pork Chilled Ready Meals	-11	+8	+22	+8	+7	-0	+24	+22	-2
Pork Sliced Cooked Meats	+3	+9	+7	+5	+9	+4	+5	+7	+3

Q = quantity purchased, E = expenditure, P = price
Source: Kantar Worldpanel

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