

Market Opportunities for Edible Fifth Quarter

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Fifth Quarter Conference, Leamington

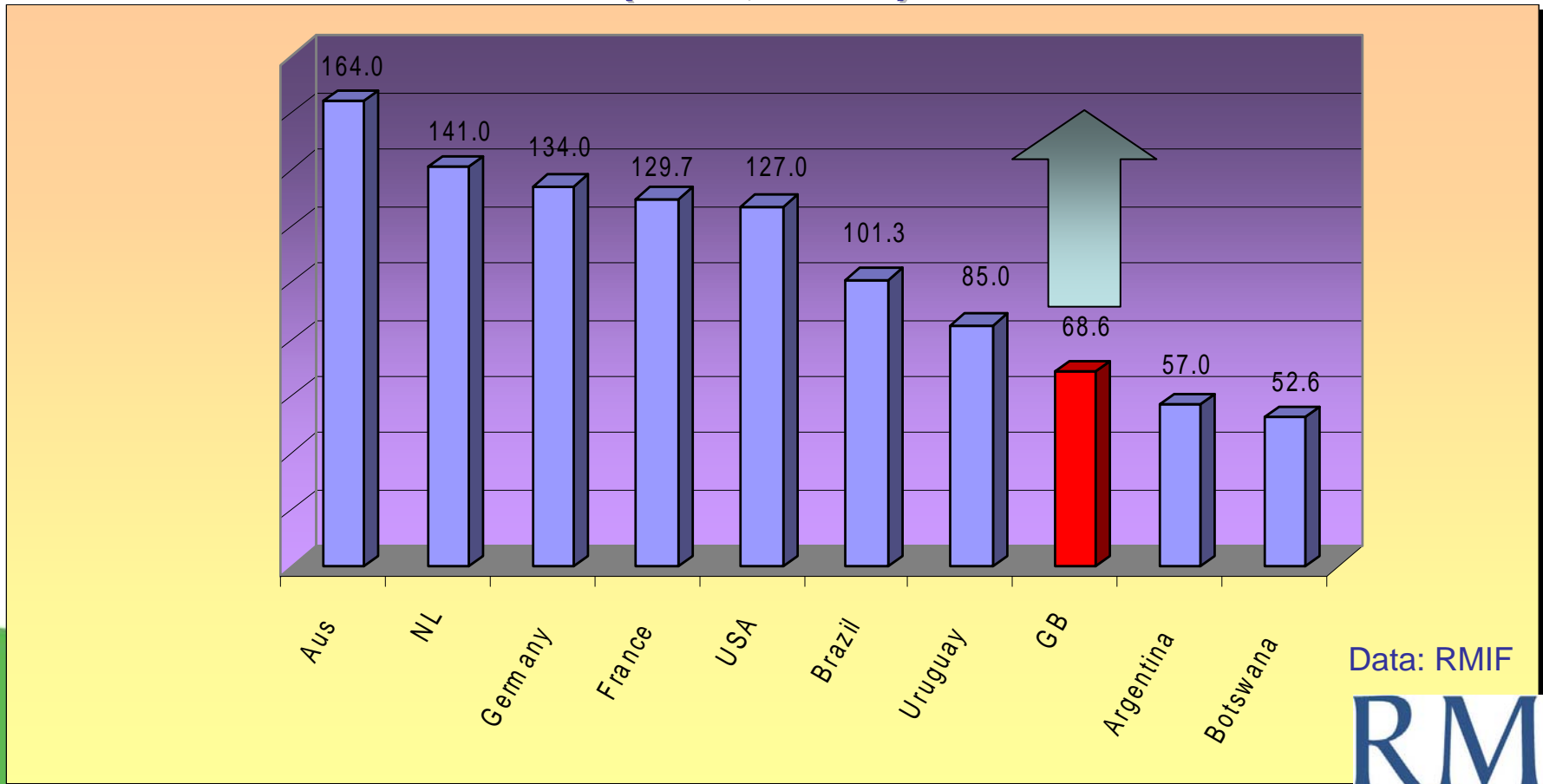


Agenda

- Where are we on exports?
- The world offal market
- Opportunities for exports and on the UK market
- EBLEX and BPEX activities

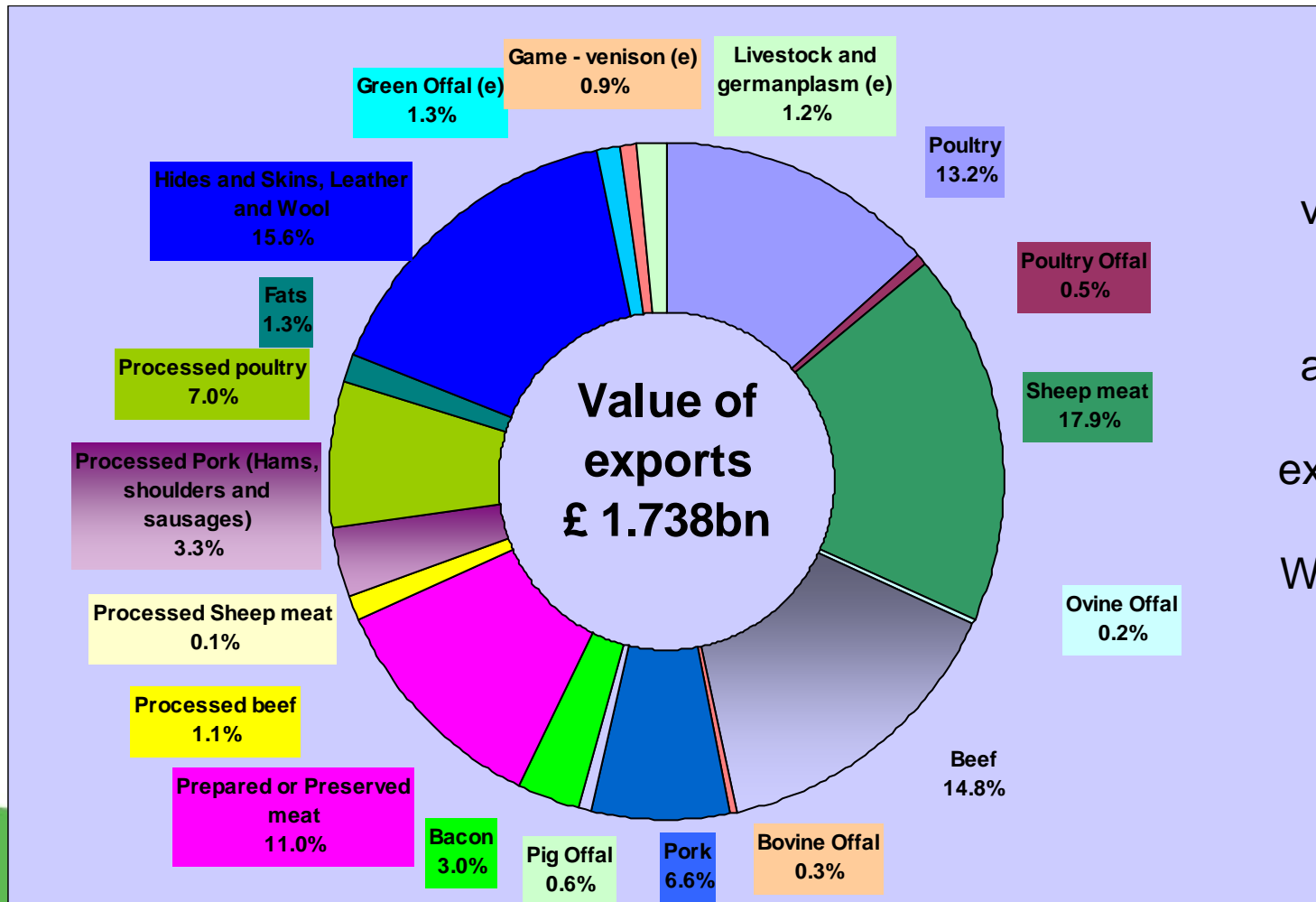
Why are we here?

Value of cattle fifth quarter in selected countries (US\$, 2007)



Data: RMIF

UK exports of livestock products



Offal and variety meats exports represent around 8% of total meat exports in value (£ 140 m.). With non edible product this represents more than 25%.

Increase of 20-25% per year

Offal exports: Third Countries

Third Countries open for pig meat and offal

- Singapore, Hong Kong, Japan, Philippines, Malaysia, Brunei, *UAE*, South Korea, Taiwan (processed), *Bahrain*, Qatar, Turkey, Hong Kong, Algeria, Benin, Ghana, Mayotte
- **China**
- Barbados, Antigua & B., St Kitts & N., Bermuda, British Virgin Islands, Grenada, St Lucia, St Vincent, Trinidad & T., Dominica
- Canada, USA
- Switzerland, Norway, Faeroes, Gibraltar

Private certification for meat (Africa)

www.ukecp.com



Export Certification Ltd

Offal market: Third Countries

Third Countries open for sheep meat

- Singapore, UAE, Philippines, Bahrain, Qatar, Jordan, Turkey, Hong Kong, Algeria, Benin, Ghana, Mayotte, Réunion
- Barbados, Antigua & B., St Kitts & N., Bermuda, British Virgin Islands, Grenada, St Lucia, St Vincent, Trinidad & T., St Pierre & Miquelon, Dominica, Guadeloupe
- Switzerland, Norway, Faeroes, Gibraltar

Third Countries open for beef

- Hong Kong (UTM), Bermuda, Benin, Ghana, French Polynesia, Gibraltar, Qatar, Norway, Switzerland, **Philippines**

EBLEX has announced a push to open new beef markets

Private certification for meat (Africa)

www.ukecp.com

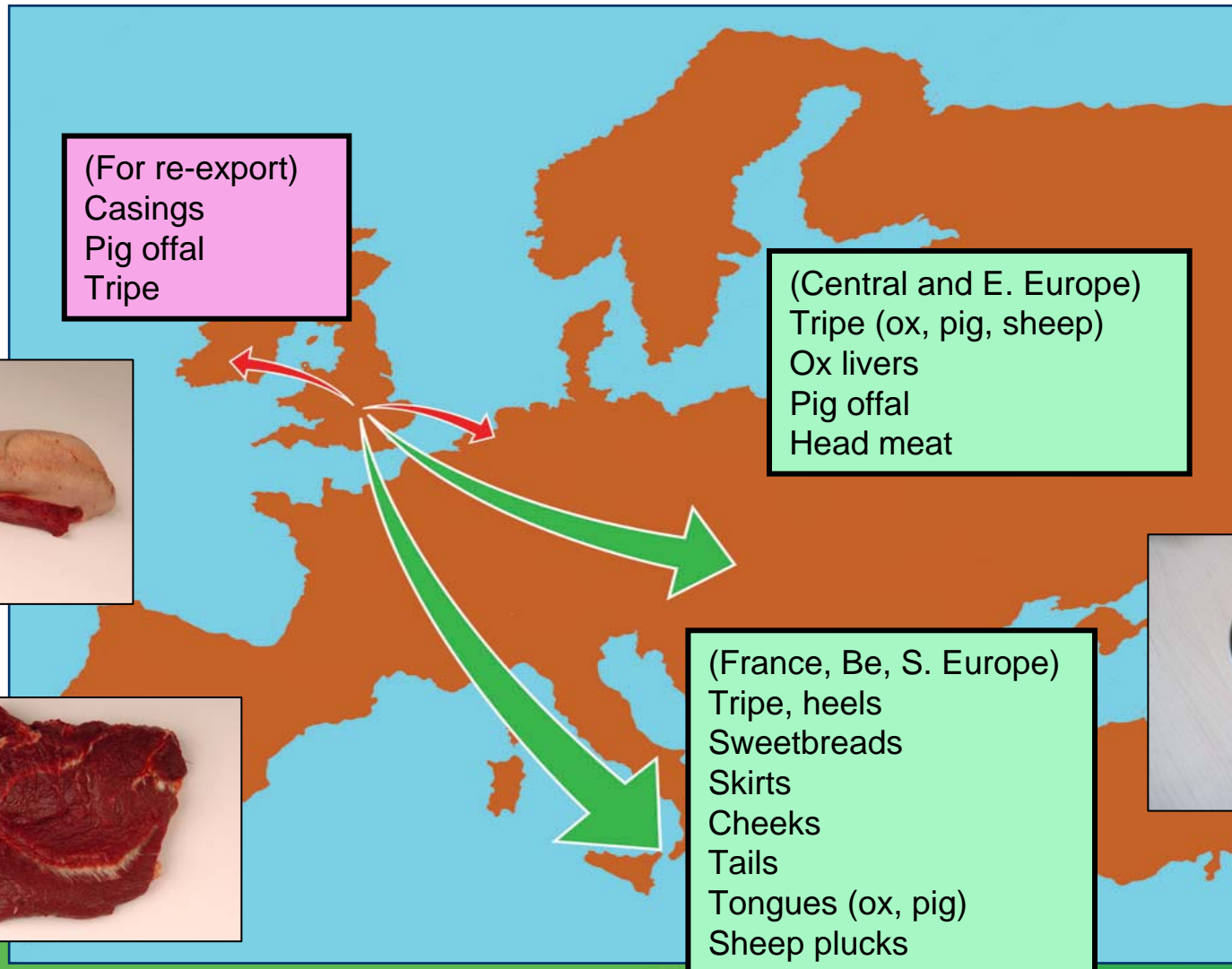


Export Certification Ltd



Department for Environment
Food and Rural Affairs

UK offal exports



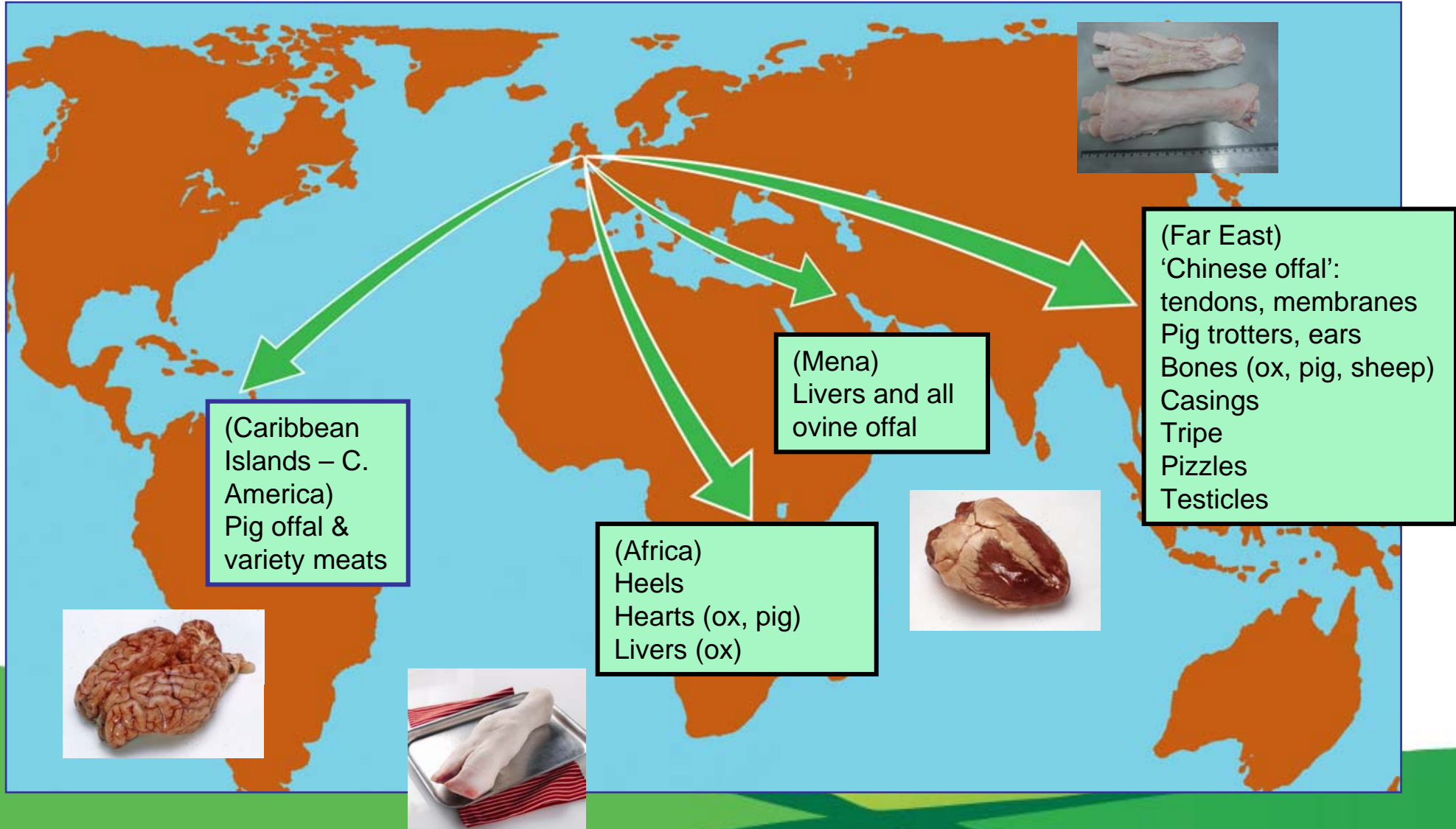
(For re-export)
Casings
Pig offal
Tripe

(Central and E. Europe)
Tripe (ox, pig, sheep)
Ox livers
Pig offal
Head meat

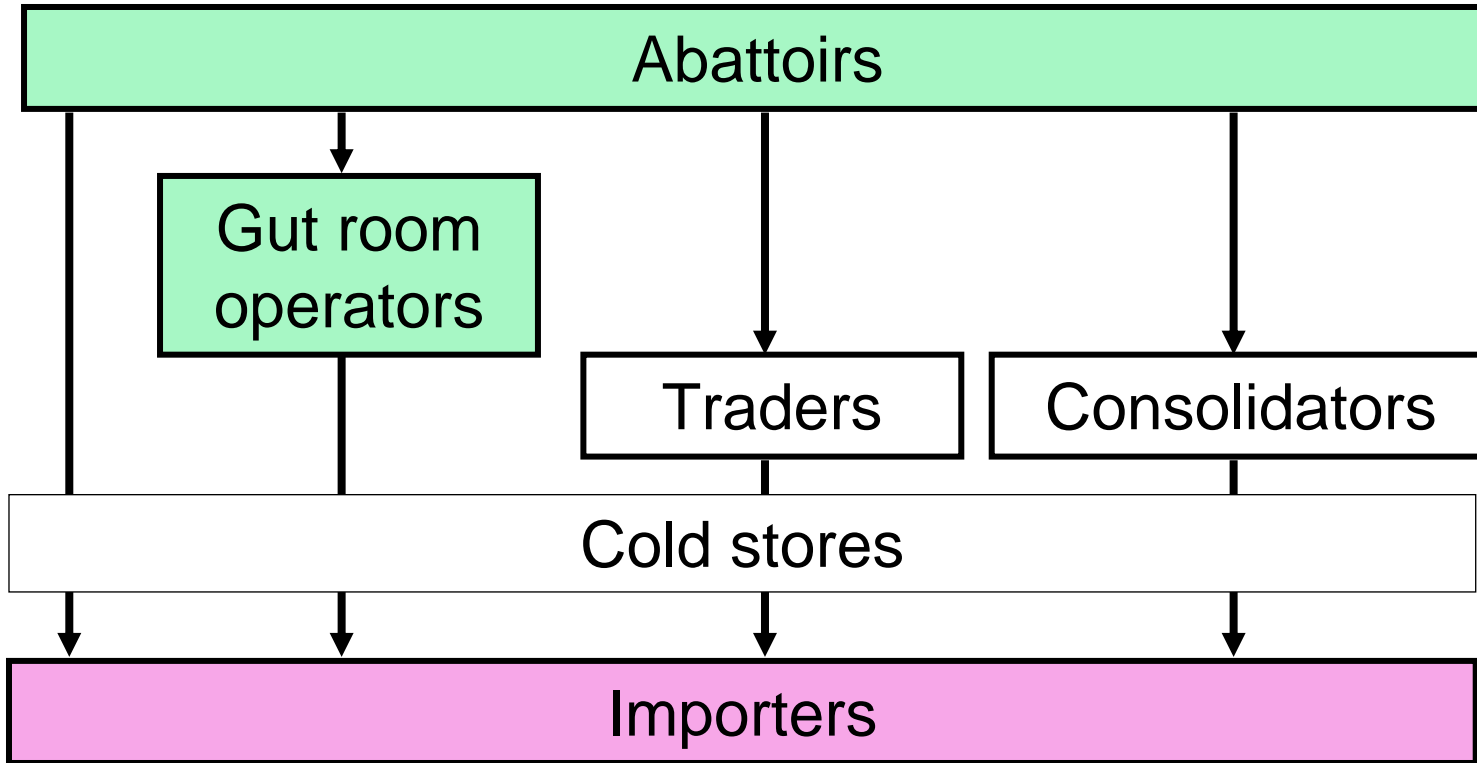
(France, Be, S. Europe)
Tripe, heels
Sweetbreads
Skirts
Cheeks
Tails
Tongues (ox, pig)
Sheep plucks



UK offal exports



UK offal exports: logistics



UK offal exports: logistics



Offal exports: favourable exchange rate



£ / US\$ Exchange rate Oct 2005 - Sept 2010



Offal exports: favourable exchange rate

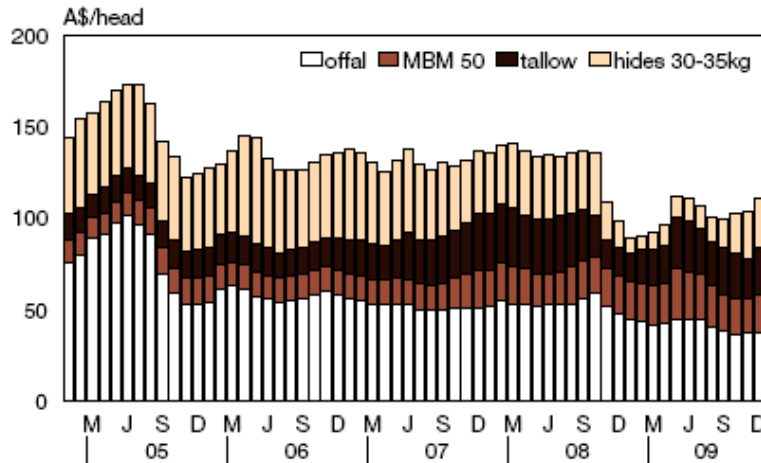
£ / € Exchange rate Oct 2005 - Sept 2010



Offal price trends: Morose bovine market

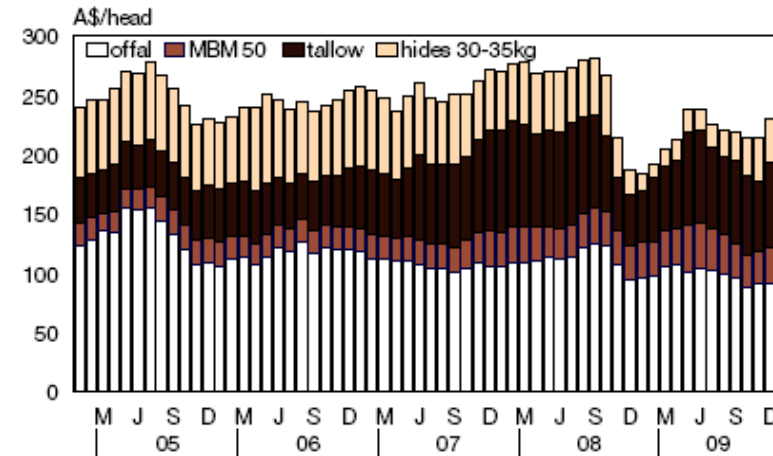


Co-product values for US cows



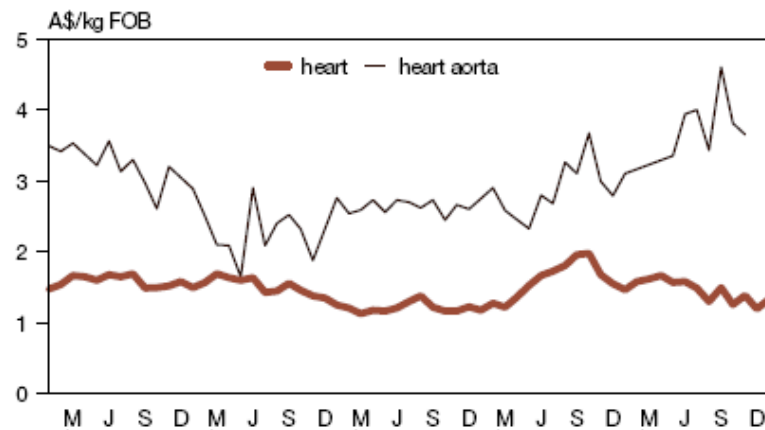
Source: Kurrajong Meat Technology

Co-product values for grainfed steers (Australia)



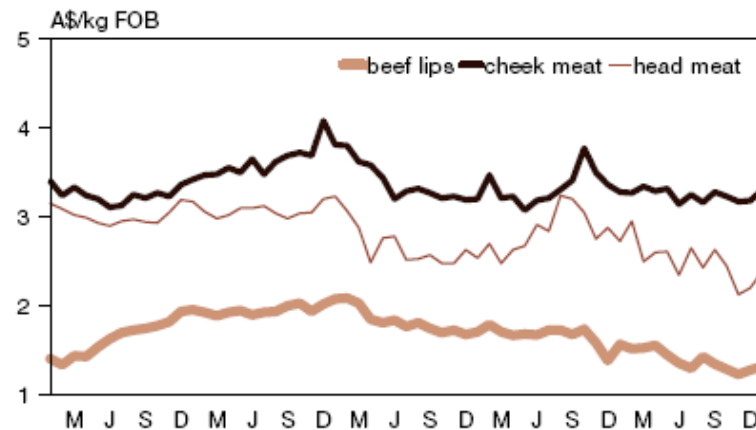
Source: Kurrajong Meat Technology

Trends in beef heart prices



Source: Kurrajong Meat Technology

Trends in beef head offal prices



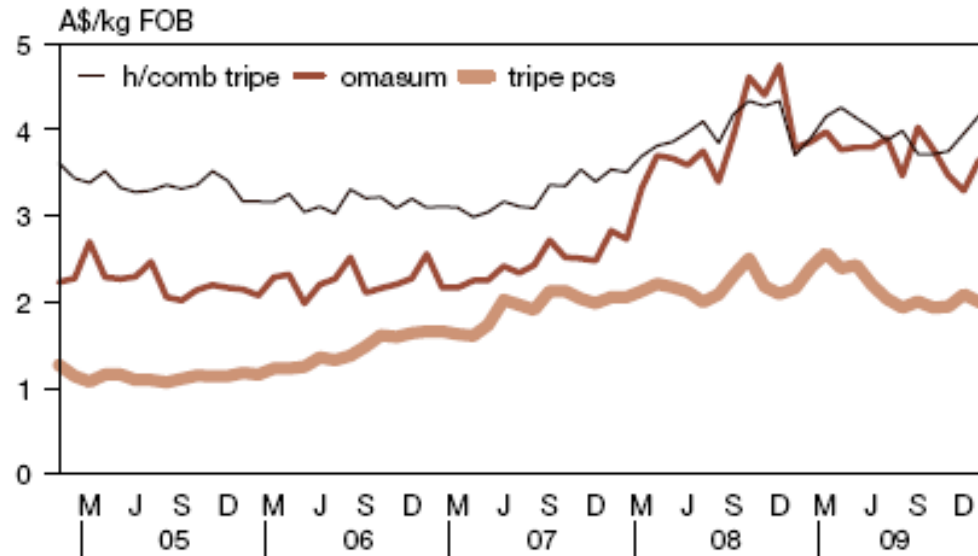
Source: Kurrajong Meat Technology

Offal price trends: Morose bovine market



But international tripe demand remains firm

Trends in beef tripe prices

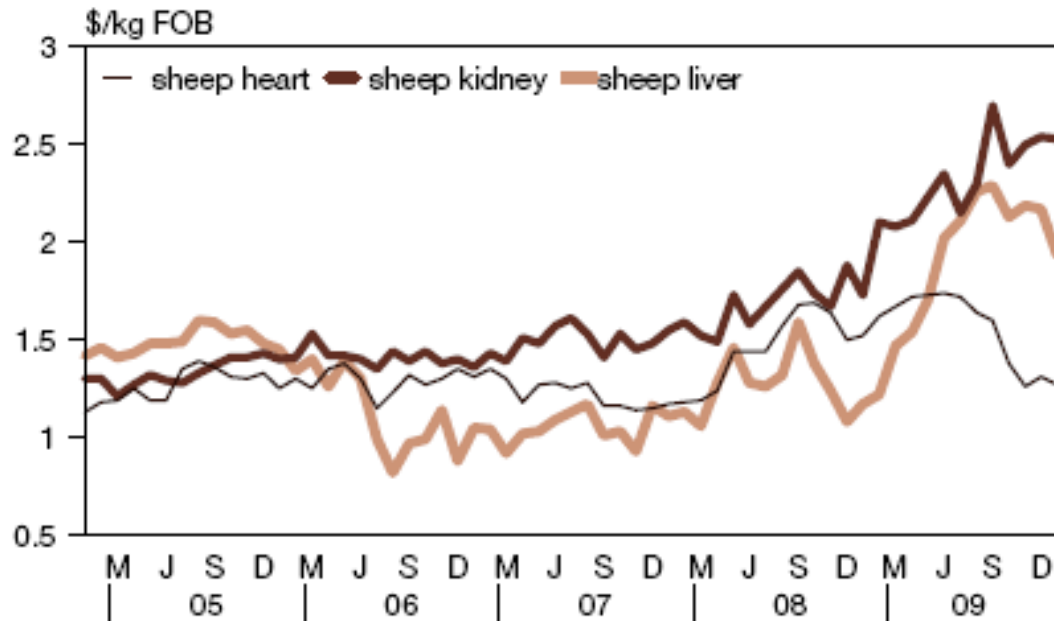


Source: Kurrajong Meat Technology

Offal price trends: Good news for sheep



Trends in sheep offal prices



Source: Kurrajong Meat Technology

- Sheep offal prices have risen strongly in 2009-2010, driven by short supplies and sustained demand.
- The price of sheep casings rose by 51% in 2009 (Aus. reference price £ 1.80 /set) and sheep tripe by 5% (Aus. reference price: £ 2.10 /kg) in 2009.

Offal price trends: Pig woes

- The market is increasingly reliant on exports to the Far East.
- The closure of the Chinese market has affected world pig offal prices during 2010. Due to a glut of product, prices remain depressed. The partial reopening of the market has rekindled some interest for pigs trotters and to some extent paunches. Little demand for pork bones.
- This has helped Danish exports to China and highlights the need of exporting directly.

Offal price trends: Quality is paramount

Wide variations exist for the same product according to the quality of processing and packing



New Zealand lamb sweetbread

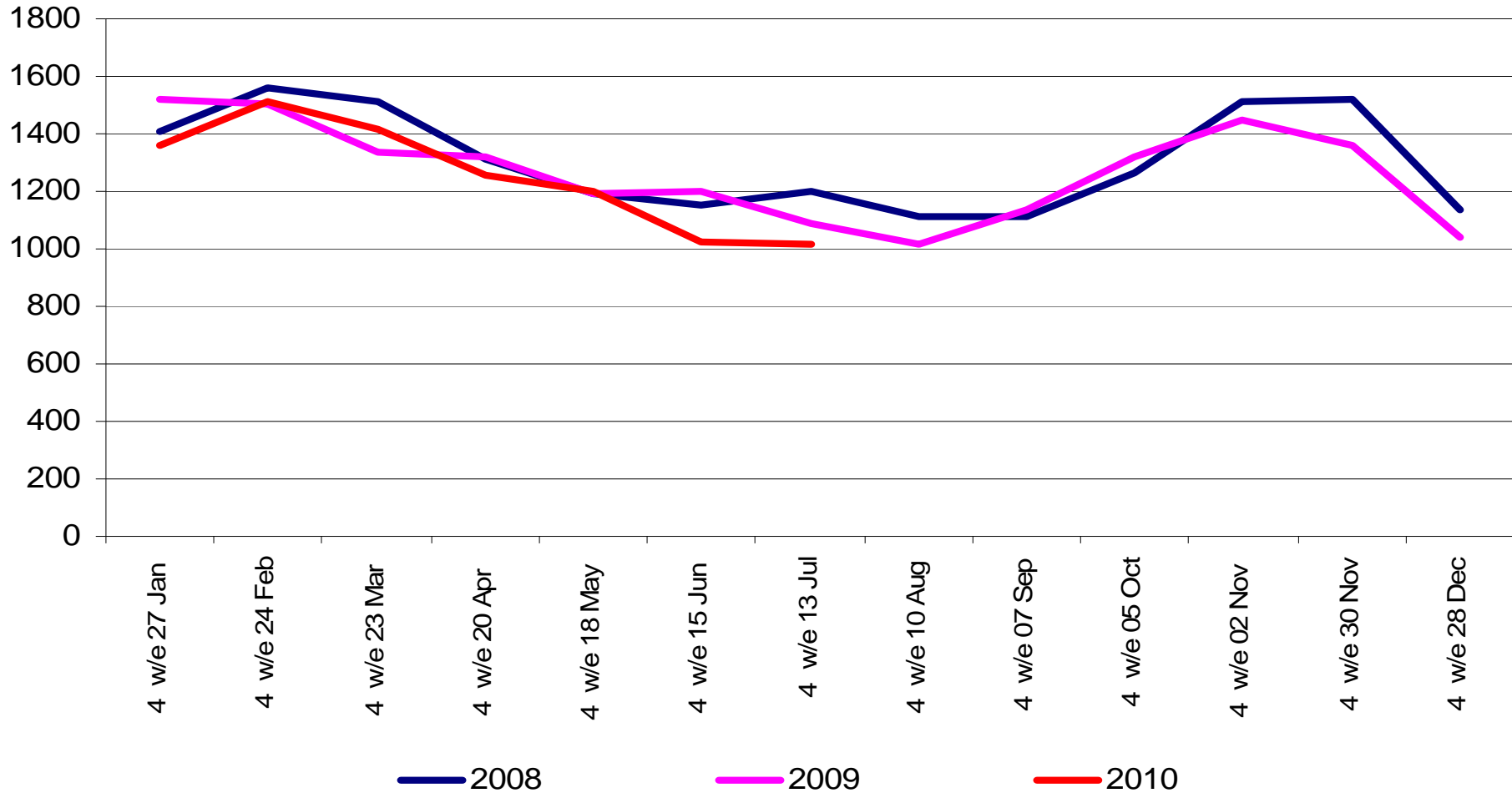


Boneless heels, Spain

The UK offal market



Offal- GB Volume (Tonnes)



The UK offal market



- Few current opportunities on the UK market.
- According to Mintel (2009) domestic offal consumption is up 67% from 2003 to 2008 with a market value of £ 62 m.
- According to AHDB, GB offal consumption is stable at around 16,500 t. with a market value of £ 40 m.
- Pig liver consumption is up. Kidneys and other offal down slightly. Pig and lamb liver make nearly half of UK consumption.
- Still imperative need to 'educate' consumers and rise the level of cooking skills.

See www.simplybeefandlamb.co.uk/offal



From Sophie Grigson's C4 programme



EBLEX and BPEX offal export development

- Offal specifications: 110 products including packaging specifications
- Inward and outward missions
- Market reports (currently planned): Philippines (sheep and pig offal, end 2010), Bulgaria (all offal, end 2010), South Africa (2011).
- Exhibitions: e.g. Bulgaria, November.
- Others: Internet sites, sales leads and export bulletins.

Conclusion

- Exports are developing fast. But there are many more opportunities to be grasped
- Quality is paramount
- The major factor of success is the commitment of senior management to generate value from fifth quarter.

