

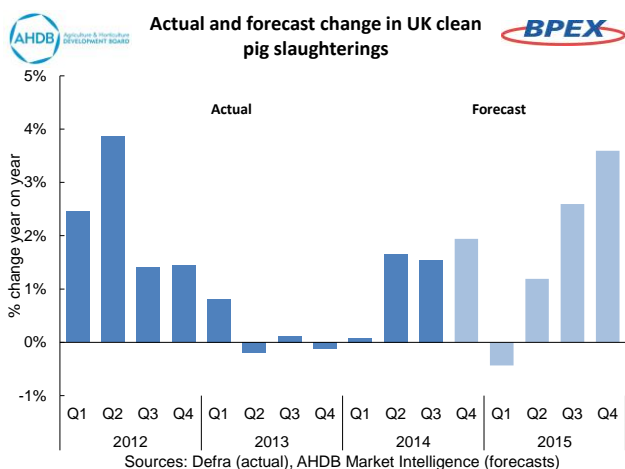
Lack of confidence limiting UK supply growth

Based on the bigger than expected fall in the UK breeding herd recorded in the June survey, UK pig meat production in the coming months may grow more slowly than previously expected. Nevertheless, with productivity continuing to improve, latest AHDB/BPEX forecasts suggest that supplies will again be higher over the coming year.

Provisional UK figures from the June survey indicate a 3% year-on-year decline in the sow herd, excluding maiden gilts, to 407,000 head. This suggests that, despite better profitability over the last year, producers are reluctant to invest in expansion at this stage. With pig prices falling steadily since June, it is unlikely that this situation will have changed, so the size of the breeding herd may be stable, at best, in the immediate future. This is confirmed by the sharp reduction in gilt numbers, both those in-pig and those intended for future breeding, in the year to June.

Reports suggest producers have made some investments over the past year but these have been focused on updating buildings and equipment. This should contribute to further productivity gains. Over the last five years, productivity has improved steadily, with the equivalent of about 24 pigs slaughtered per sow per year in recent months. This rate of improvement should be sustainable in the absence of major disruptions, such as disease outbreaks.

The increase in productivity means that, for most of the coming year, pig slaughterings should grow at a similar rate to that recorded since the spring. This means that they will be up around 2% on a year earlier, although the growth may stall for a while early next year (assuming the June survey figures are accurate). If the breeding herd stabilises then growth could accelerate towards the end of next year.

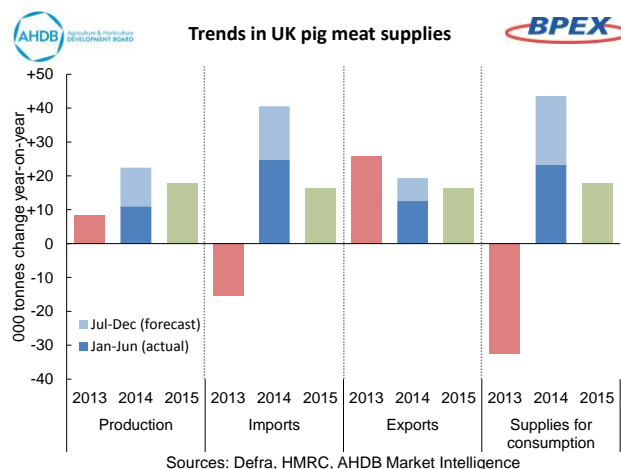


Clean pig carcase weights have been well up this year, for the second year running. Good growing conditions, lower feed prices and relatively tight pig numbers have contributed, while recently there have been more reports of pigs being

rolled by processors as supply has outstripped demand. A further modest rise in weights next year, in line with the long-term trend, would mean production rising slightly ahead of slaughterings.

With extra supplies of British pig meat on the market, prices will inevitably come under some pressure unless demand picks up. Further pressure will come from EU prices, which are expected to remain low (see pages 7-8), with the gap between UK and EU prices having been widened further by the stronger pound this year. This will increase the likelihood that imports will rise, adding further to supplies. So far this year, import growth has been modest, about 5%, as retailers' commitment to British pork remains strong. Assuming this continues to be the case, there may only be limited further growth next year. However, to some extent this will depend on how much the gap between UK and EU pork narrows.

Despite the strong pound and relatively high prices (at least compared with the rest of the EU), exports have increased again this year. With more markets opening and demand outstripping supply globally, prospects remain good for the coming year. Any export growth will mitigate the effect of rising supplies on the domestic market.



Balancing all these factors out, supplies available for consumption on the domestic market have been higher this year than last. So far, this hasn't been matched by an increase in consumer demand, with retail pig meat sales similar to last year. This has created the pressure on the pig price, which has been apparent for most of the year.

Based on the latest forecasts, supply growth will be slower in 2015. Even so, consumer demand will need to rise before prices start to recover. With earnings growth still running below inflation, there is little sign of consumer spending on meat growing. This will need to change if demand for pig meat is going to rise to meet the increased supply.

To read more detail about the latest AHDB/BPEX forecasts for pig meat supplies, [click here](#).