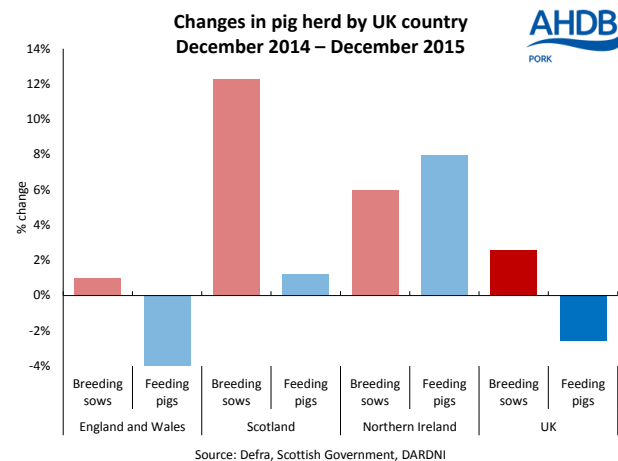


Outlook for UK Pig Meat Supplies – April 2016

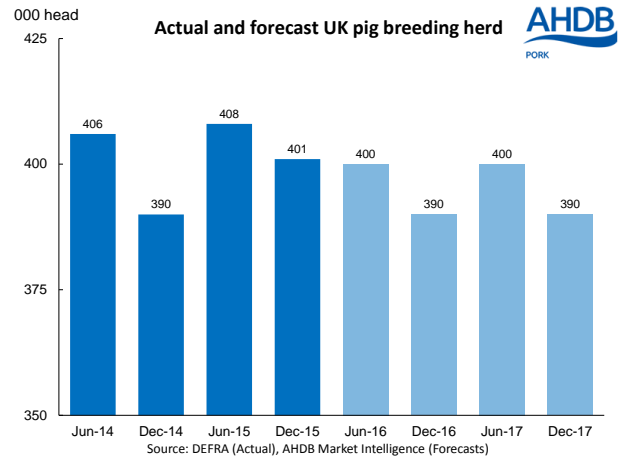
Domestic pig meat production growth is still expected to outstrip demand in the coming months. However, an improvement in the balance of trade, with lower imports and higher exports, could reduce the supply-demand imbalance. These are among the conclusions of the latest AHDB Pork forecasts for UK supplies. This could result in the pig market being more stable than in recent years and there is even the possibility that prices could rise at times.

There was an unlikely fall in the total UK pig herd recorded in the December survey. This was driven by the figures for England, with herds in Scotland and Northern Ireland expanding. However, given that slaughterings have remained well above year earlier levels since December, the decline is not thought to reflect the true position.

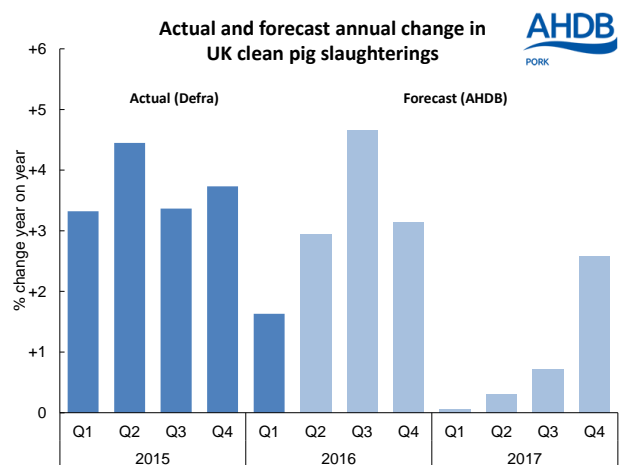
The December survey also recorded a, somewhat unexpected, rise in the UK breeding herd. The fall in pig prices over the last year might have been expected to have resulted in a more stable position or even a slight decline. The increase was mainly in the Scottish and Northern Irish herds, with only a small rise in England. The latter has been expanding in recent years but this marks a turnaround for the former. It may be partly due to producers responding to plans to upgrade the largest Scottish abattoir in early 2016.



Since December, pig prices have fallen sharply, which has led to some reports of producers deciding to quit the industry. Others may have made the decision to reduce sow numbers. Despite this, sow slaughterings have only increased slightly so far. They are still well below the levels of late 2012, the last time the herd fell significantly. Therefore, only a modest drop in the UK herd is expected in the short term. If pig prices fall further or feed prices rise, a more substantial herd reduction is possible. If not, any decline may remain modest, given that those producers left in the industry have survived even tougher times before.



With a rise in the breeding herd last year and only a modest fall expected for this year, the number of pigs being slaughtered is forecast to remain above year earlier levels throughout 2016. This is based on the assumption that the long-standing upward trend in sow productivity will continue. The number of pigs slaughtered per sow has returned to the long-term trend during 2015 and early 2016, which supports this assumption. Given an expected modest fall in the breeding herd during 2016, slaughter growth may slow down in 2017, although by how much will depend on herd developments from now on.



As indicated above, sow slaughterings have started 2016 slightly above last year's level. Subject to market conditions remaining largely unchanged, this trend is expected to continue through the rest of the year.

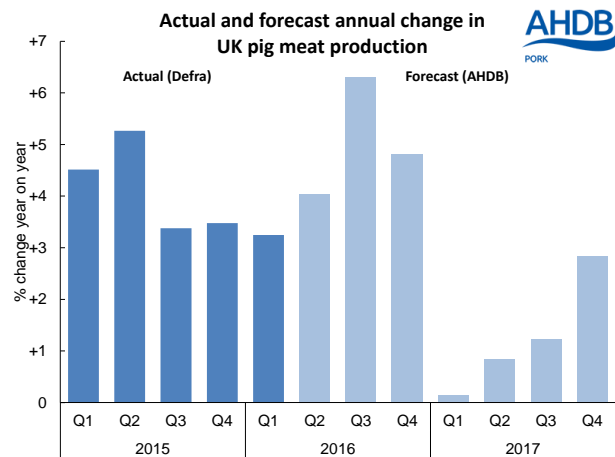
Actual and forecast UK pig slaughterings

000 head	Clean pigs			Sows and boars		
	2015	2016	2017	2015	2016	2017
Quarter 1	2,585	2,627	2,628	61	66	64
Quarter 2	2,572	2,648	2,656	61	67	64
Quarter 3	2,653	2,776	2,796	62	64	63
Quarter 4	2,797	2,885	2,959	61	64	63
Year	10,607	10,936	11,040	244	262	253

Source: Defra, AHDB. Figures in bold are forecasts

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As well as higher slaughterings (of clean pigs and sows), heavier carcass weights have been contributing to increased pig meat production this year. This trend is expected to continue, with producers seeking to add weight to partially compensate for the low prices. This equation may change if feed prices rise, making it less economic to chase weight. As a result, the rise in production is now expected to be similar to last year, at between 4% and 5% for the year as a whole, before slowing in 2017.

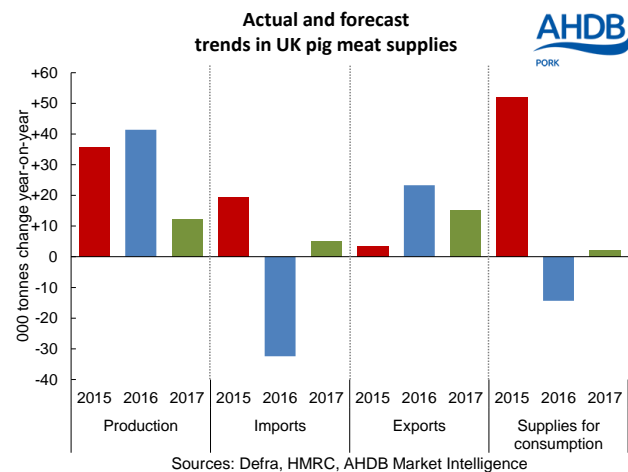


As well as domestic production, supply levels on the UK market are also affected by the balance of trade. Last year, the strong pound and weak EU market meant that UK pig prices remained well above those on the continent. This meant a small rise in imports, although it could have been much worse in the circumstances, and constrained exports.

This year, prospects for international trade look better. In large part, this is because of the weakening of the pound against both the euro and the US dollar. This makes UK pork more competitive on markets dominated in these currencies, which covers most export markets. The gap between UK and EU prices has narrowed significantly and now stands at around 10p/kg, more in line with historic norms. This reduces the price incentive for buyers to source imported pork, potentially raising demand for domestic pigs.

Furthermore, reductions in the EU pig herd mean that continental production is expected to fall in the second half of the year. This could reduce the availability of supplies for export to the UK. Overall, therefore, imports are expected to be lower than last year. This trend is already apparent in figures for January and February, which show pig meat imports down 5% compared with the same months last year.

Exports have started 2016 strongly. As well as the improved exchange rate, this is being helped by the strength of the Chinese market. Demand for EU pork in China is very strong and UK exporters are benefitting from this. Reports suggest that any recovery in Chinese production will be slow, so import demand will remain strong for the rest of this year and probably beyond. These factors together should mean that exports perform much better in 2016 than in 2015.



These lower imports and higher exports are now forecast to more than offset the rise in production, leaving supplies on the domestic market slightly lower than last year. This could mean that the pig market will be firmer than in the last two years. How prices develop will, of course, also depend on the level of consumer demand for pig meat. Retail pork sales were falling during much of 2014 and 2015, despite lower prices. However, there are signs that purchases are starting to pick up, which should offer some encouragement that the market could be tighter than in the previous two years.

Actual and forecast supplies of pig meat in the UK

000 tonnes (cwe)	2015					2016					2017	
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Year	
Production	222	218	222	237	899	229	226	236	248	940	952	
Imports	233	228	246	261	967	221	221	241	252	935	940	
(Fresh/frozen)	(98)	(96)	(103)	(112)	(410)	(96)	(95)	(100)	(109)	(400)	(400)	
(Bacon)	(72)	(70)	(74)	(78)	(294)	(67)	(65)	(70)	(73)	(275)	(270)	
(Processed)	(64)	(62)	(69)	(70)	(264)	(58)	(61)	(71)	(70)	(260)	(270)	
Exports	58	55	61	62	237	65	60	68	67	260	275	
Available for consumption	397	390	407	436	1,629	385	387	409	433	1,615	1,617	

Source: Defra, HMRC, AHDB. Figures in bold are forecasts