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**Thames Valley Cambac Ltd**

**Pig & Poultry Fair Forum**

**May 10<sup>th</sup> & 11<sup>th</sup> 2016.**



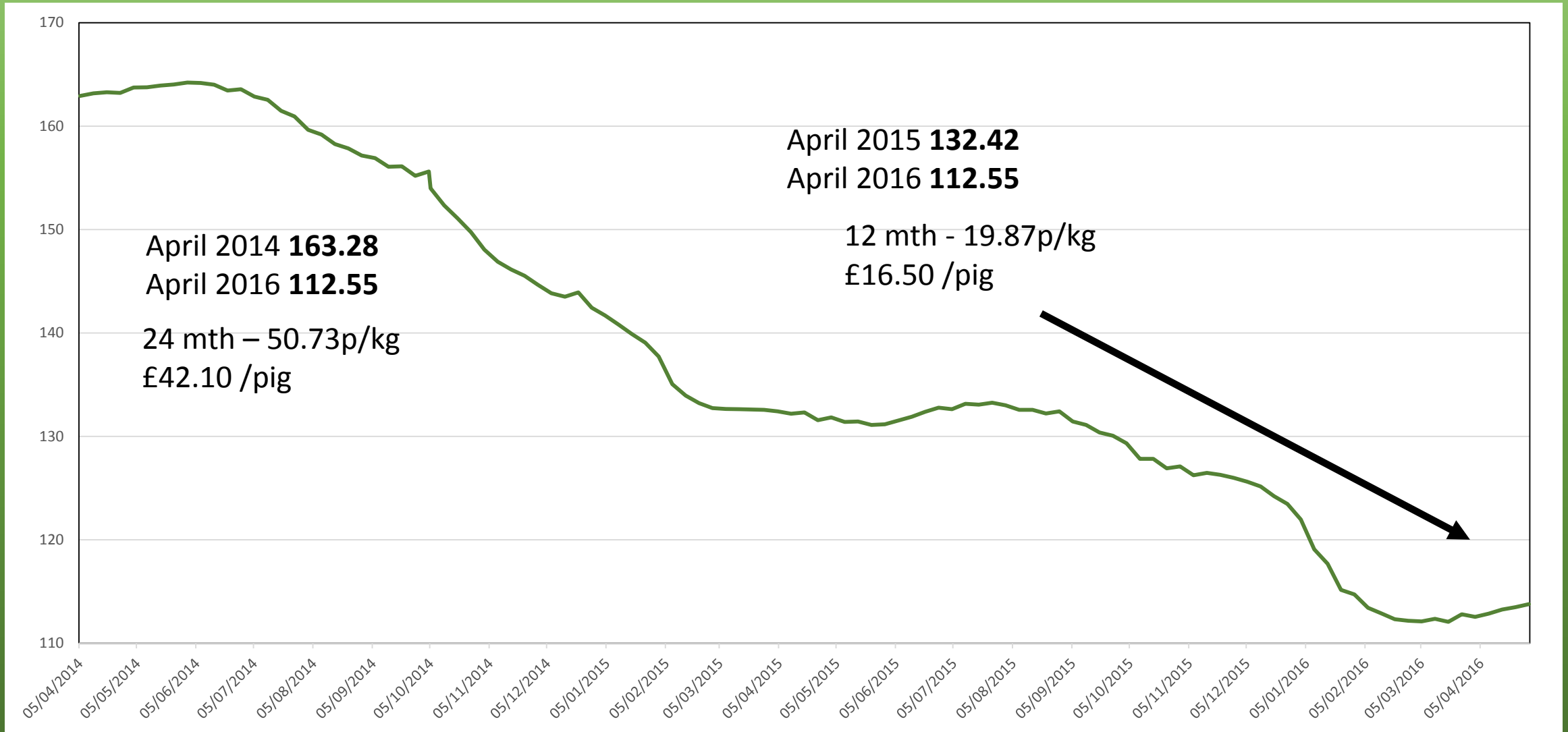
# Agenda

## Outlook For Pigs

- What's happened and Why?
- What's happening now and Why?
- What's going to happen and Why? ( My view)
- Influencing factors for a positive outcome.



# UK finished pig prices last 24 months!





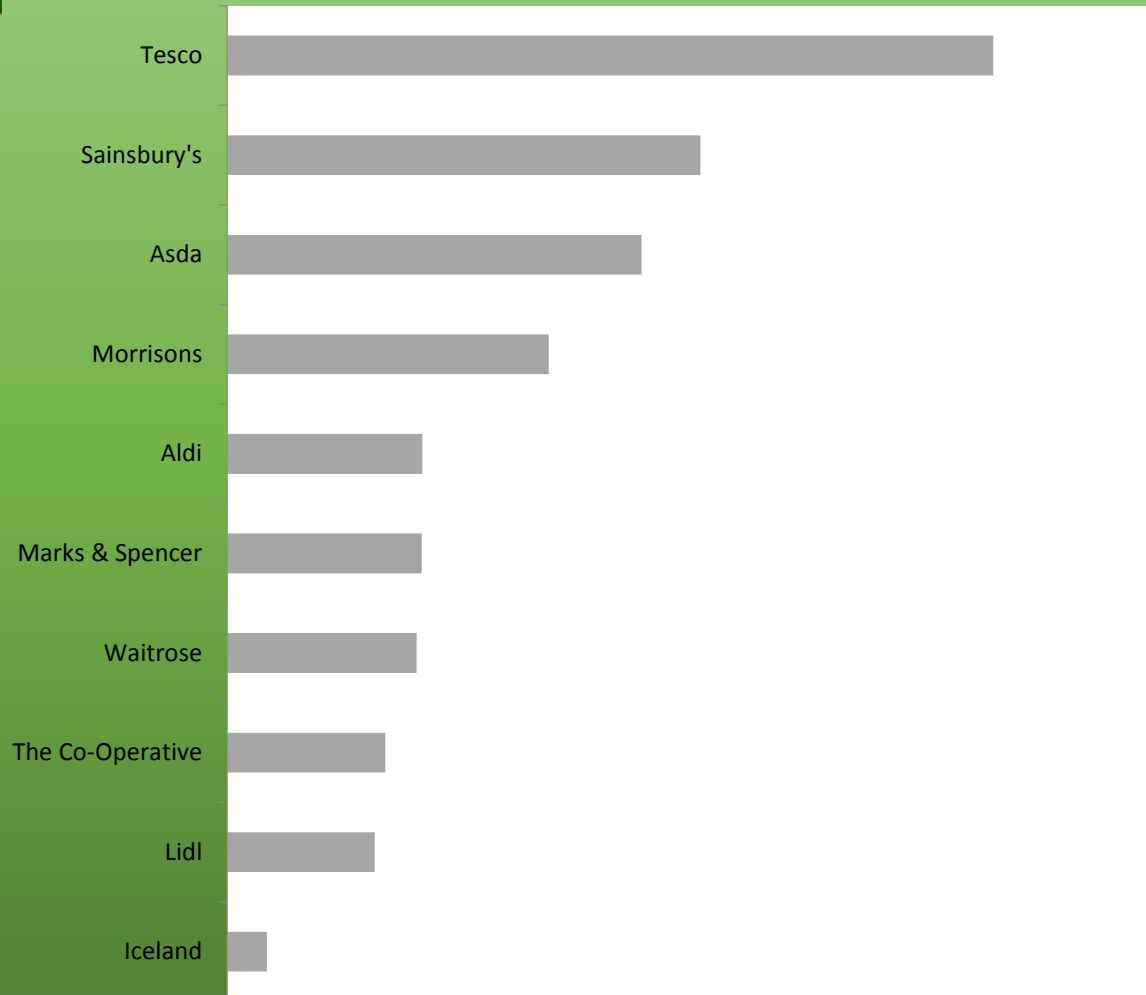
# What's Happened - The “Why” factors

- Increased production –clean pig kill up 380k + increased weights.
- UK Consumption fell – combination of reasons:
  - W.H.O. Report – Processed meat – damaged consumer confidence.
  - Retailer shift to EDLP & reduced promotional activity Why?

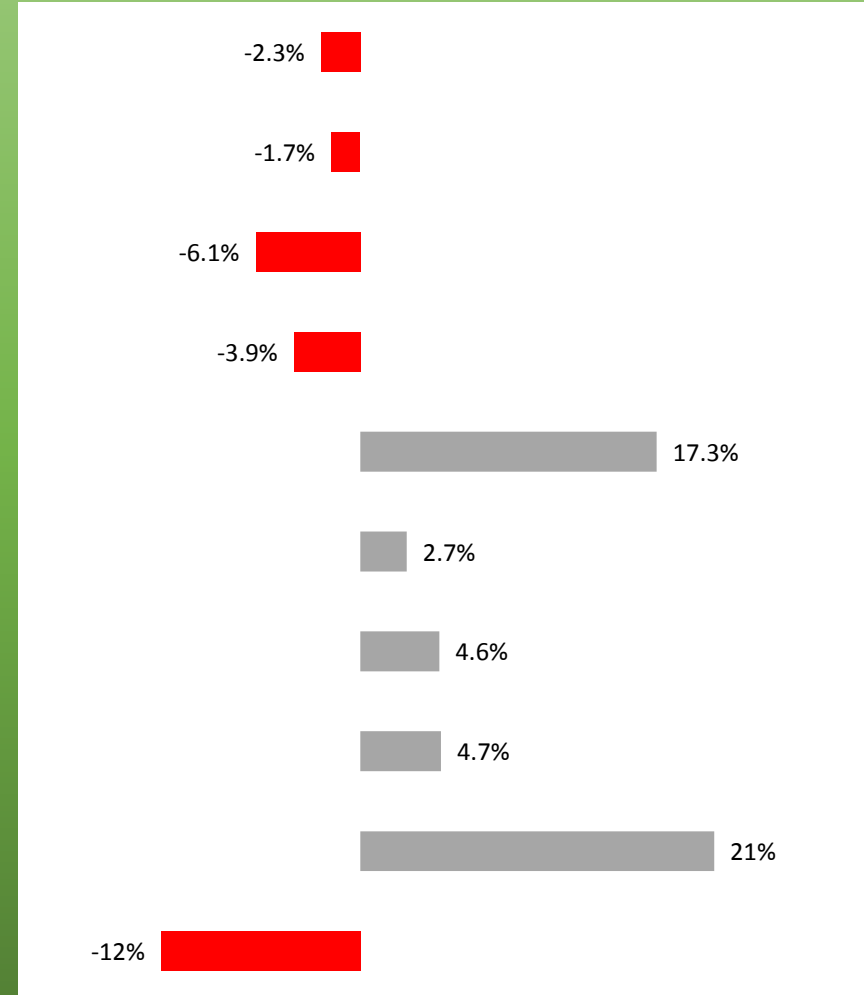


# Total Fresh and Chilled – retailer performance

## Market Share



## Change Year on Year





# What's Happened - The “Why” factors

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- Price gap between EU & UK price leading to cheap increased imports.
- Exchange rates aggravating price competitiveness.



# Exchange Rate Impact in isolation. (Example)

**Exchange Rate Euro cents to £**

**Pig Price at the Exchange Rate.**

• 115.00 / 87p

• 125.59p

• 126.70 / 79p

• 114.00p

• 140.00 / 71.5p

• 103.17p



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  - Retailer shift to EDLP & reduced promotional activity.
- Price gap between EU & UK price leading to cheap increased imports.
- Exchange rates aggravating price competitiveness.
- Exports did grow but not enough to offset the negatives.





# What's happening now - The "Why" factors

- Production has continued to increase quarter 1 2016



# UK Clean Pig Kill Q1 2016

Actual and forecast UK clean pig slaughtering's (October 2015)

000 head		2013	2014	2015	2016	2014/2015 % change	2015/2016 % change
Quarter	1	2,500	2,502	2,585	<b>2,602</b>	<b>+ 3.3</b>	<b>+ 0.7</b>
	2	2,422	2,463	2,572			
	3	2,528	2,566	2,652			
	4	2,600	2,696	2,794			
	Year	10,050	10,227	10,604			



# What's happening - The “Why” factors

- Production has continued to increase quarter 1 2016
- Consumption has turned and is now tracking up, first 8 wks 2016



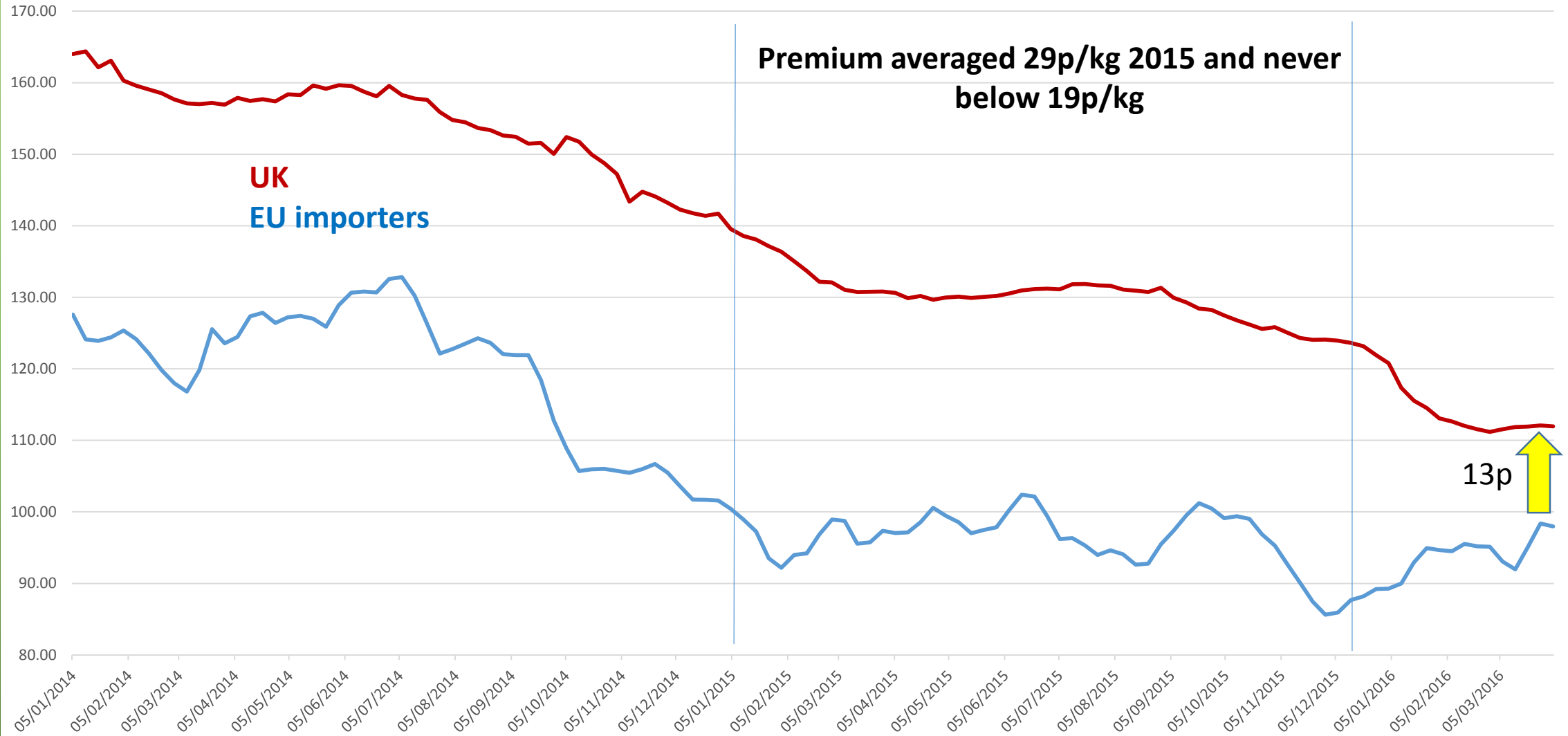


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- Price gap between EU & UK - significant re-alignment.



# EU importers vs UK Pig Price





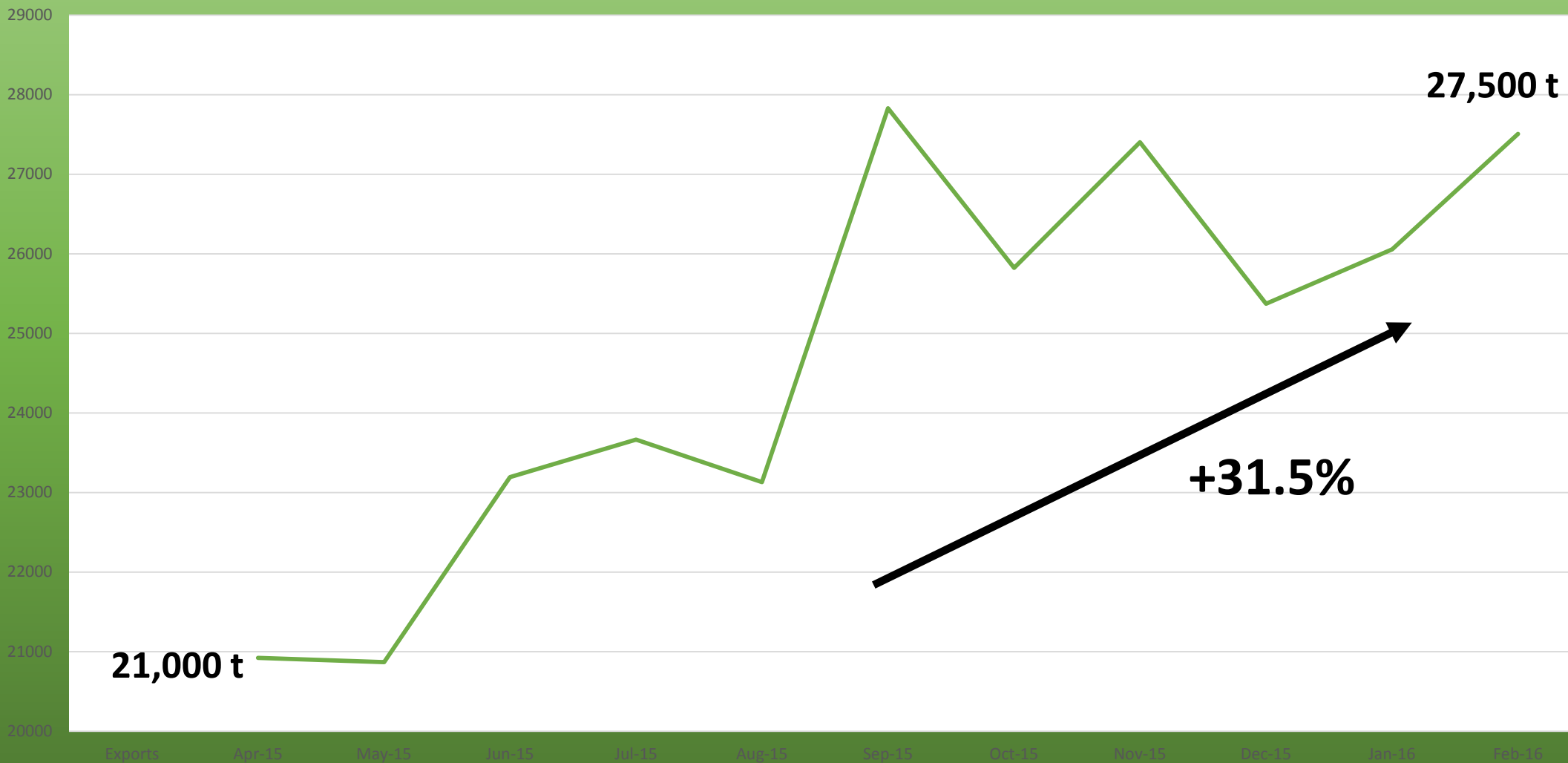
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- Price gap between EU & UK - significant re-alignment.
- Exchange rates - sterling has weakened assisting price competitiveness.
- Exports have continued to grow at an even greater rate than 2015.



# Monthly export volumes last 12 months

000 tonnes





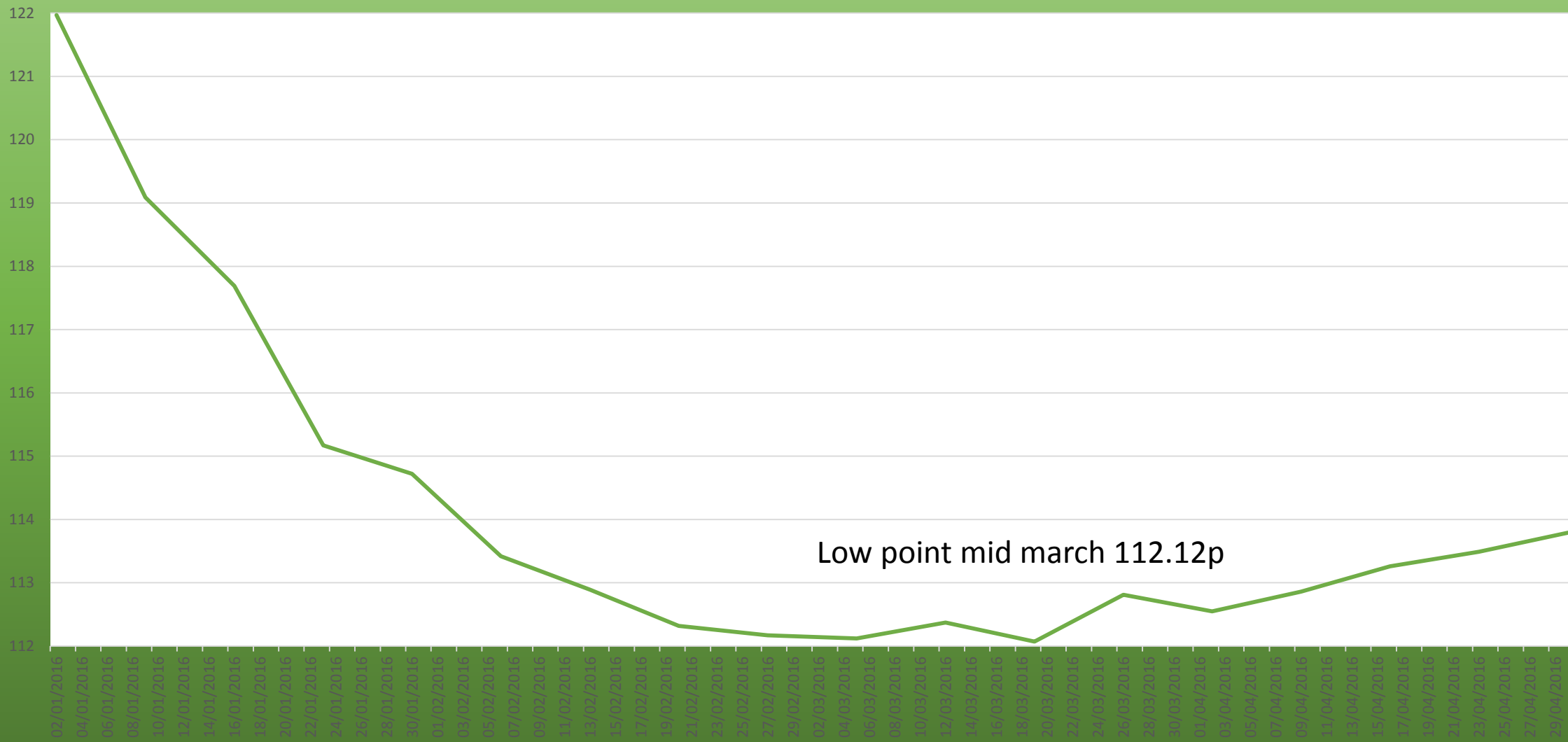


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- Exports have continued to grow at an even greater rate than 2015.
- The price has stopped falling and has increased.



# UK SPP 2016



Low point mid march 112.12p



# What's going to happen – (My View)

- UK Production will reduce – two factors:
  - Productivity hindered by health (medium term)
  - Herd exits/reductions. Real impact 3<sup>rd</sup> & 4<sup>th</sup> quarter.
- EU production reduction – Denmark & Holland.
- Consumption has turned but at best back to 2014 levels. (Seasonal opportunity)
- Export growth in both RT & FF product but with primal product too.
- The price will be relative to EU – 10p-15p based on exchange rates circa 125c/80p



# What's going to happen – (My View)

Continued

- EU Exports growing – weak Euro assists with competitiveness.



# EU exports have been strong since mid-2015

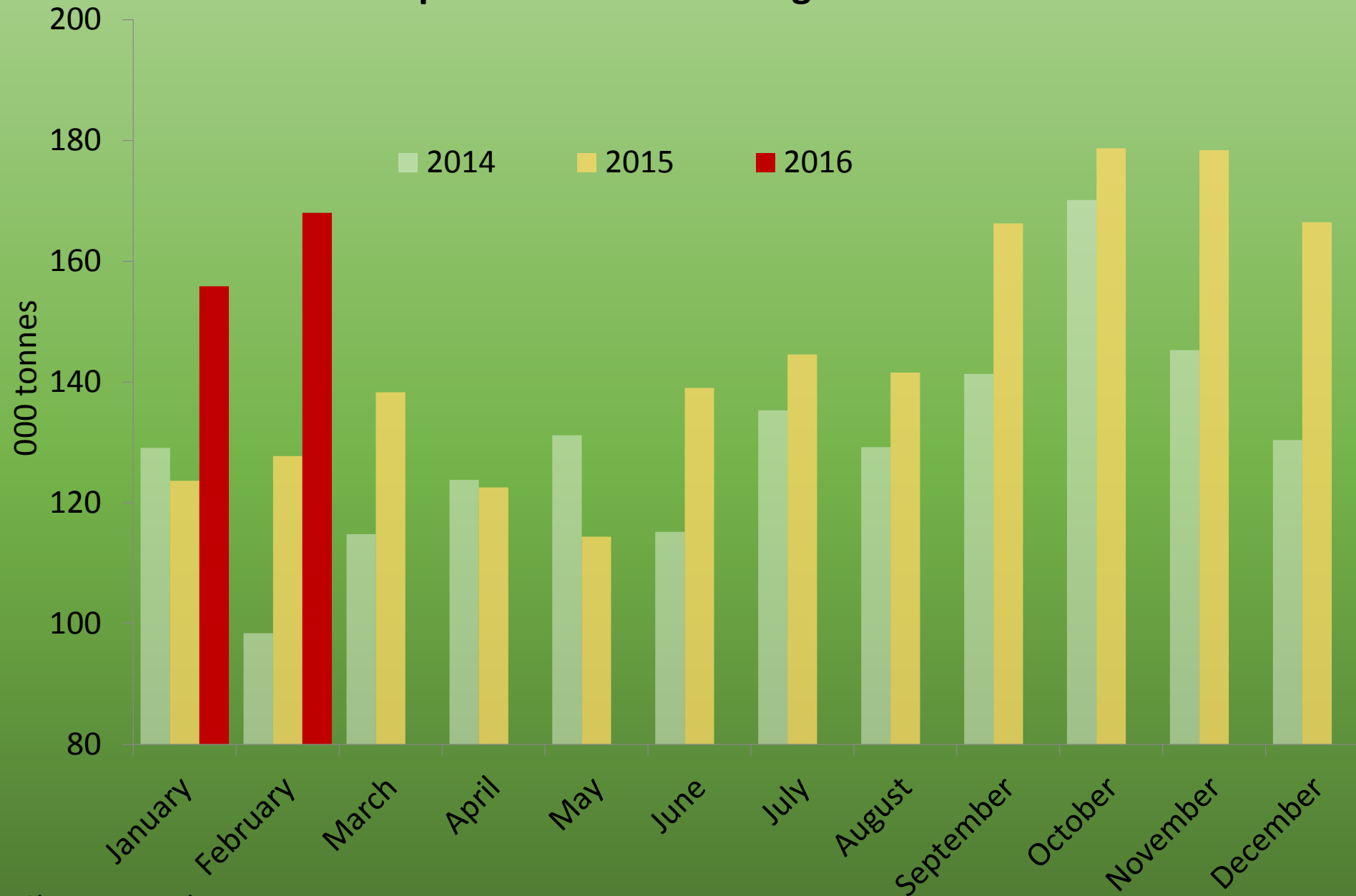


Chart: EU pork exports

Source: Eurostat



# What's going to happen – (My View)

Continued

- EU Exports growing – weak Euro assists with competitiveness.
- China production some recovery but imports up significantly.



# Chinese imports significant growth.



Chart: Chinese pork imports

Source: China Customs, GTIS



# What's going to happen – (My View)

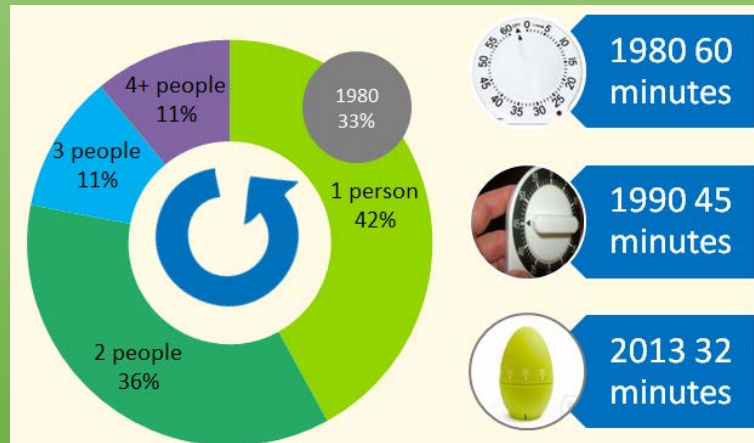
## Continued

- EU Exports growing – weak Euro assists with competitiveness.
- China production some recovery but imports up significantly.
- Consumer demand forever evolving – lifestyle driven.





# Changing Consumer Trends



High Involvement



Low involvement



Cooking has changed  
*More lone occasions*  
*Less Prep*  
*Less Involvement*  
*Less from scratch*  
**Less effort**



# Pork ... current market

<u>Pork categories</u>	<u>% change compared with a year earlier</u>	
	Volume	Price/kg
Bacon	+2.2	-4.1
Sausages	-0.9	-1.1
Cooked Meats	+0.3	-1.1
Fresh Pork	-3.1	-6.9
<b>Savoury Snacks</b>	<b>+12.6</b>	<b>+1.9</b>



# What's going to happen – (My View)

## Continued

- EU Exports growing – weak Euro assists with competitiveness.
- China production some recovery but imports up significantly.
- Consumer demand forever evolving – lifestyle driven.
- Brexit Debate?????



# Influencing factors for a positive outcome.

- Improve Efficiency in production—MUST be price competitive with EU.
  - Heavier weights.
  - Investment to replace more efficient finishing accommodation.
- Be aware and embrace changing demands.
  - AB use reduction.
  - Salmonella scoring.
- Processors increase NPD to meet the demands of the evolving consumer.



# Summary

- Short term the trade has bottomed.
- Medium/Long term it will increase but the EU will need price inflation - we must strive to be EU competitive in COP (+10p-15p)
- There is scope to grow production! By increased sales home and abroad.
- Industry must develop products that are relevant for the consumer of the day. (Big focus on out of house eating and snack type products.)
- Be in front on issues such as reducing AB usage. (We need to drive this from within the industry – avoid others imposing on us.)
- Do not expect retailer support v EU supply without differentiation.



Thank you.