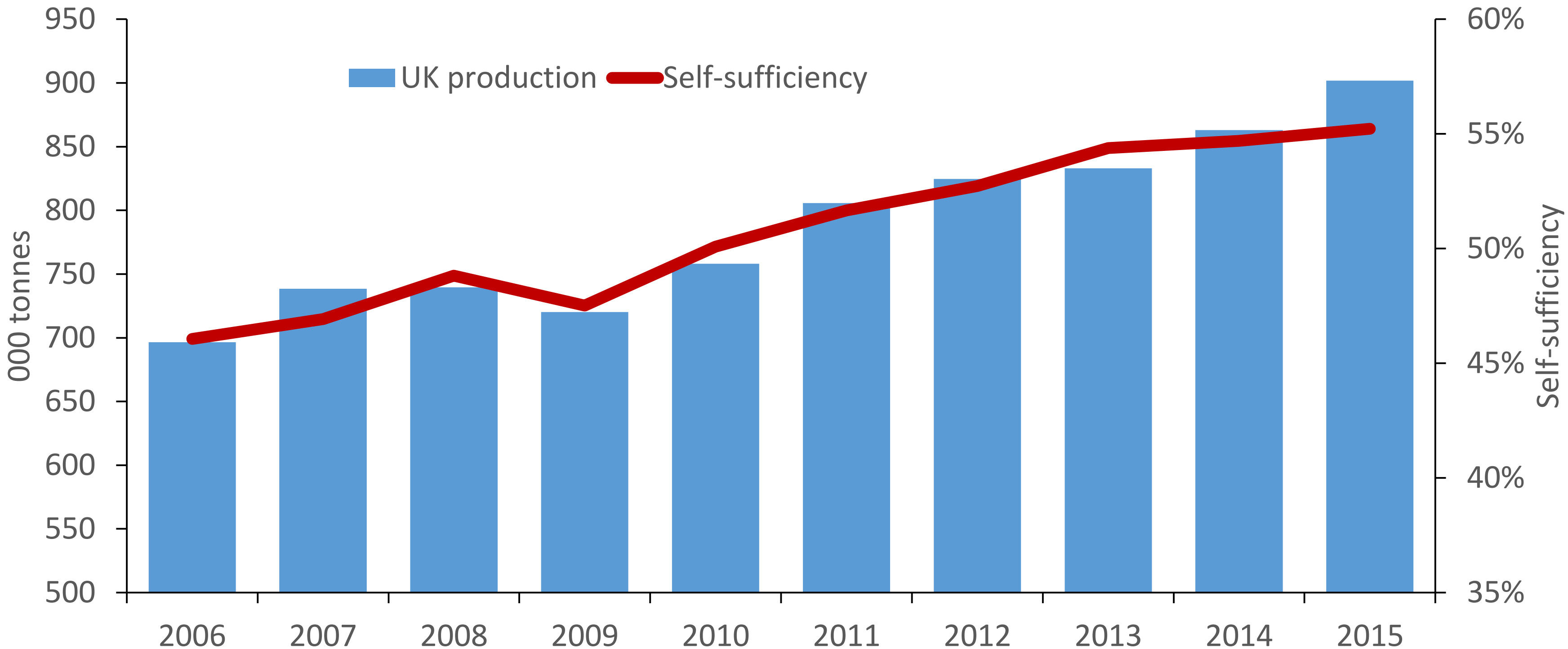
Pork sector strategic overview

AHDB Market Intelligence November 2016

Pig meat production in the UK



Source: Defra, HMRC, AHDB

- Production set to grow for seventh straight year in 2016
- Growth down to better productivity as sow herd stable
- Self-sufficiency rising

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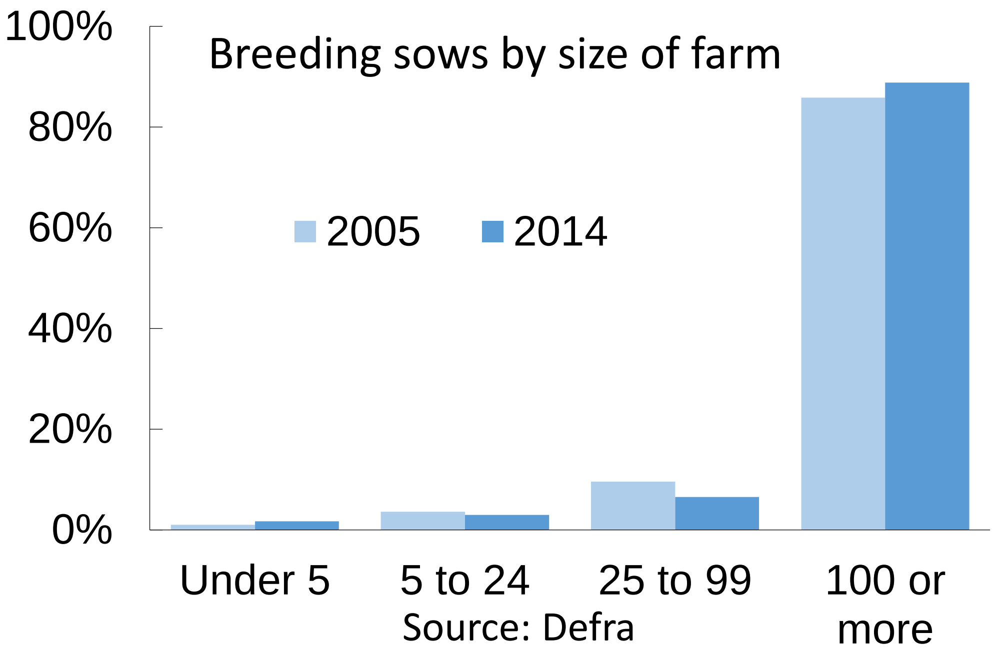
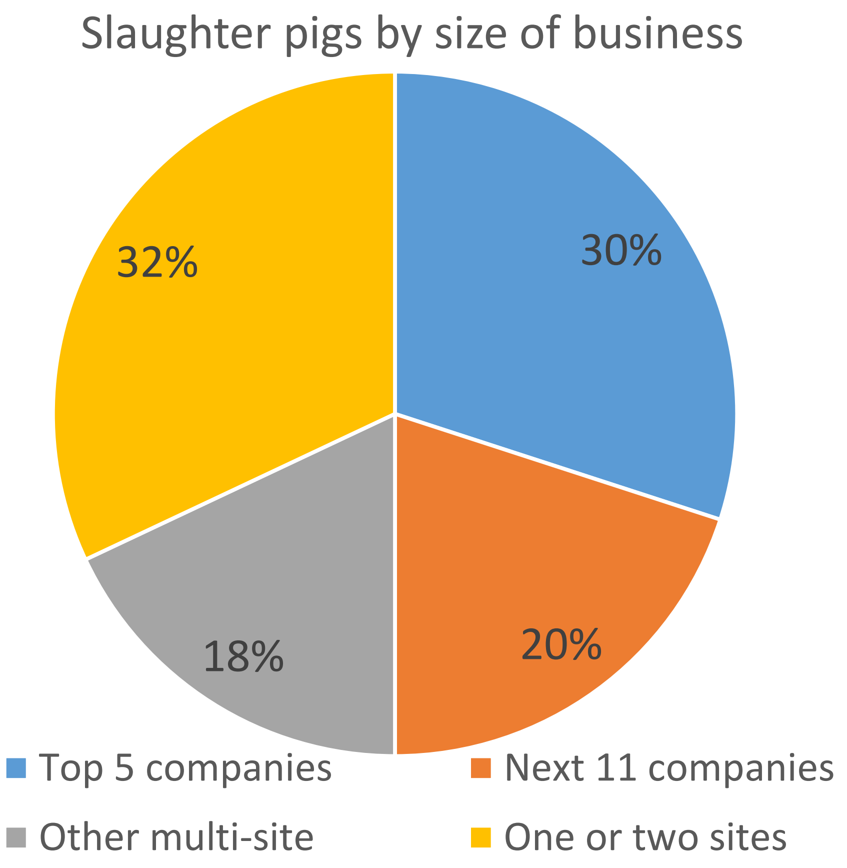
Portrait of pig farming



Source: Defra

- Production now highly concentrated – nearly 90% of sows on farms with 100+
- Ownership also consolidated – 16 companies own half the pigs
- Processing sector similar, with four companies killing over three-quarters of pigs



Source: eAML2 database

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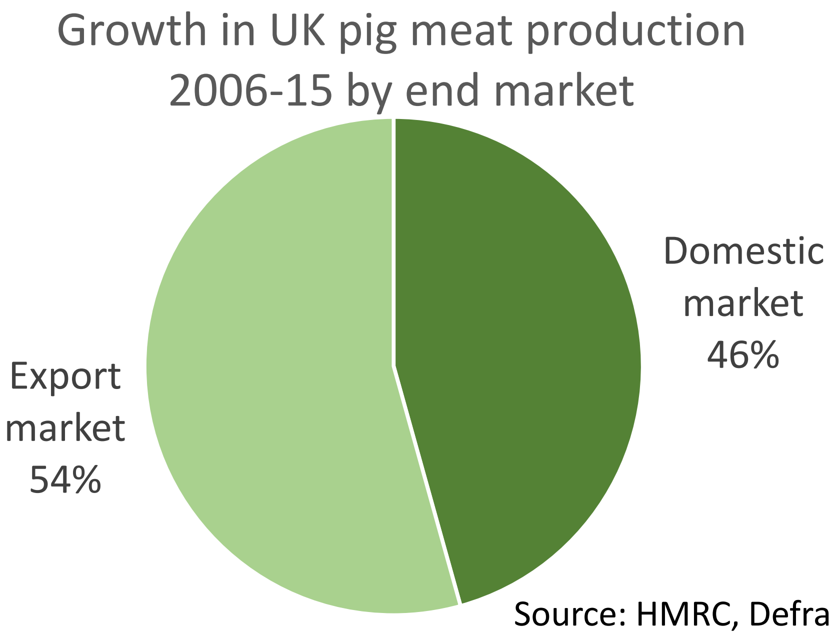
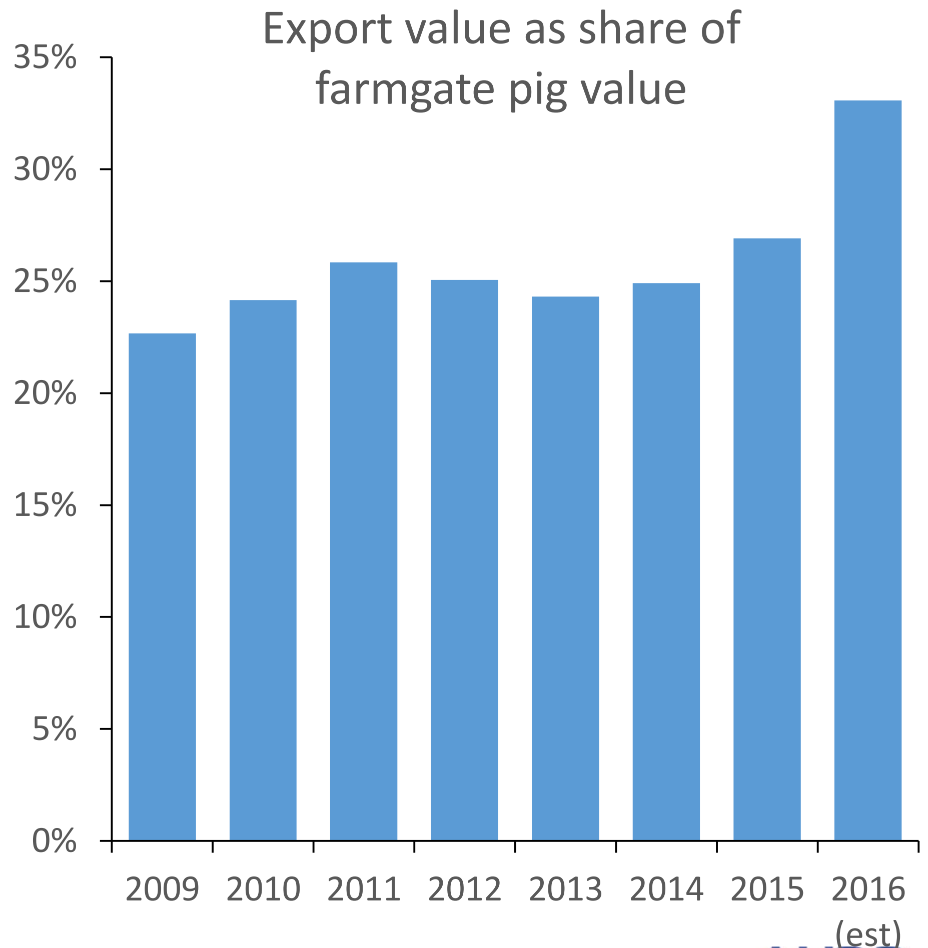
UK export trade



Source: HMRC, Defra

- Over half of the additional production in the last 10 years has been exported
- Value of exports to reach nearly a third of value of pigs sold this year
- Growth driven by China but EU still the main market



Source: HMRC, AHDB

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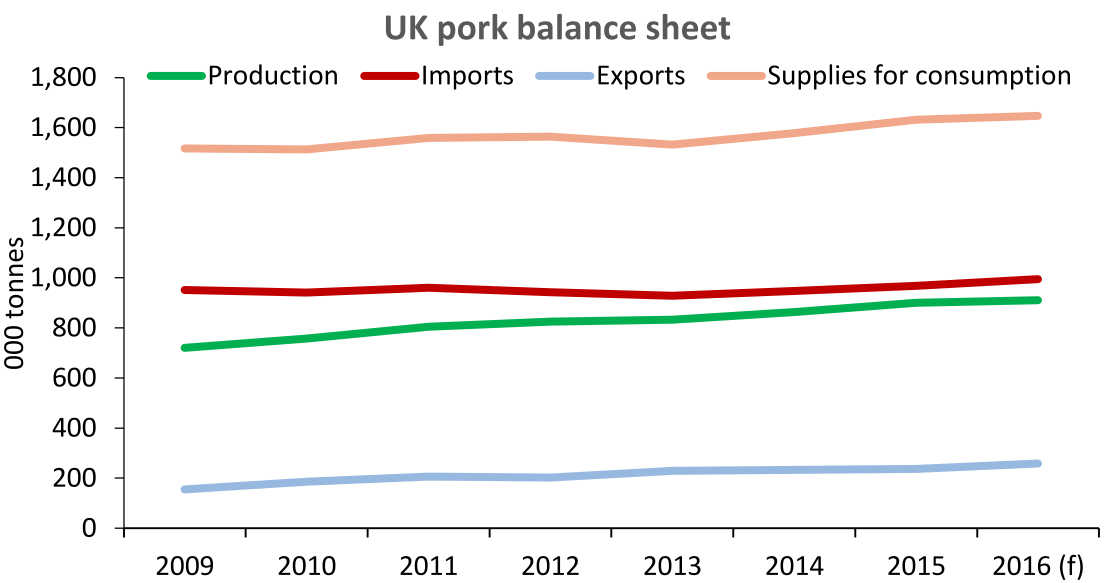
UK imports

- Around 60% of pig meat consumed in UK imported from EU
- Denmark, Germany, Netherlands and Ireland the main suppliers
- Limited scope for UK pork to replace imports due to carcase balance

UK pig meat imports by origin

Source: HMRC



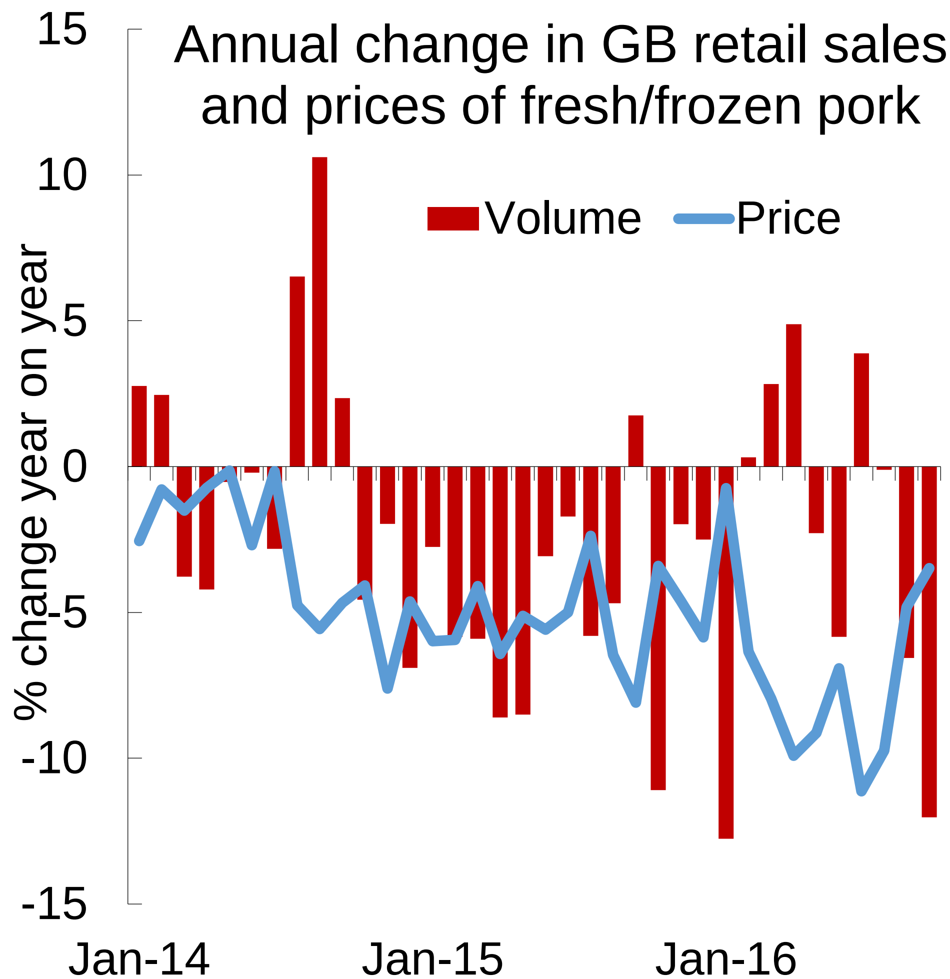
Source: Defra, HMRC, AHDB

Domestic consumption

Consumer perceptions of attributes

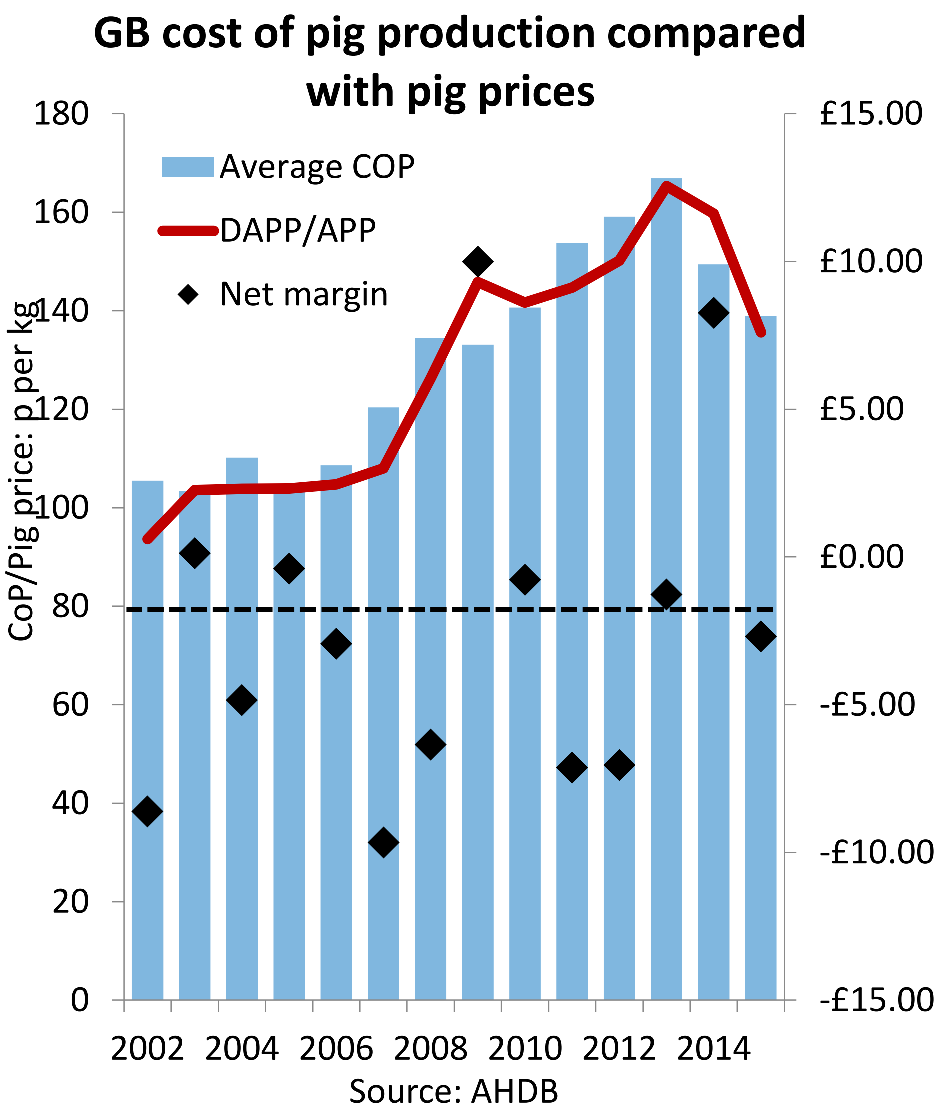
	Beef	Pork	Poultry
Full of flavour	51%	32%	34%
Versatile	48%	32%	61%
Succulent	40%	26%	41%
Bland	4%	13%	13%

- Retail pork sales down despite falling prices
- Consumers view pork less favourably than other meats, like beef and chicken
- Pig meat poorly represented in growing convenience categories and struggling to fit in with busy modern lifestyles
- Health concerns adding to demand challenge

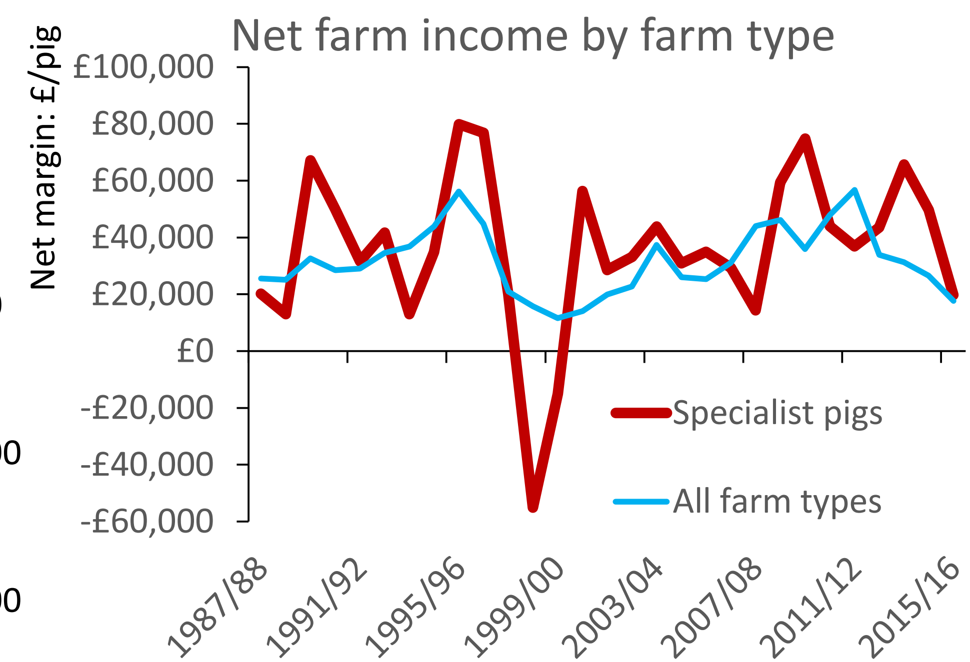


Source: Kantar Worldpanel

Producer profitability



- Producer margins have only been positive in two years since 2002
- Pig farm incomes more volatile than most other farm types
- Competitive and resilient farm businesses are critical to enable the industry to cope with volatility



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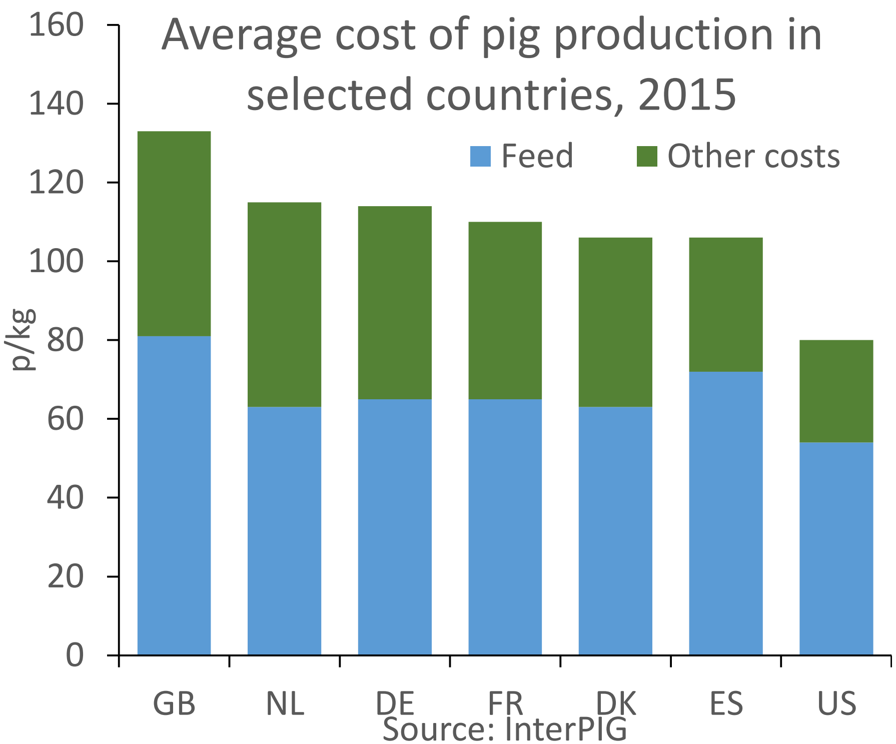
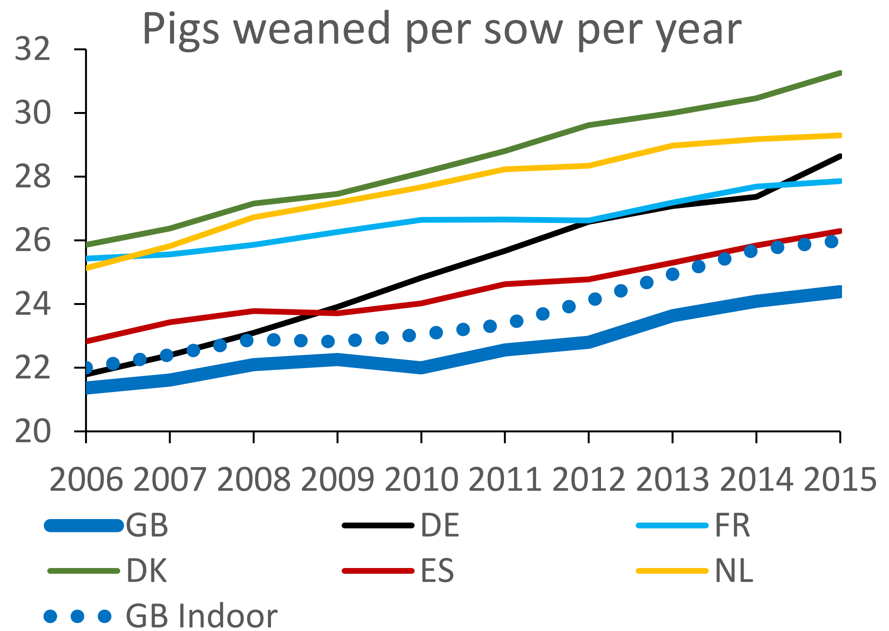
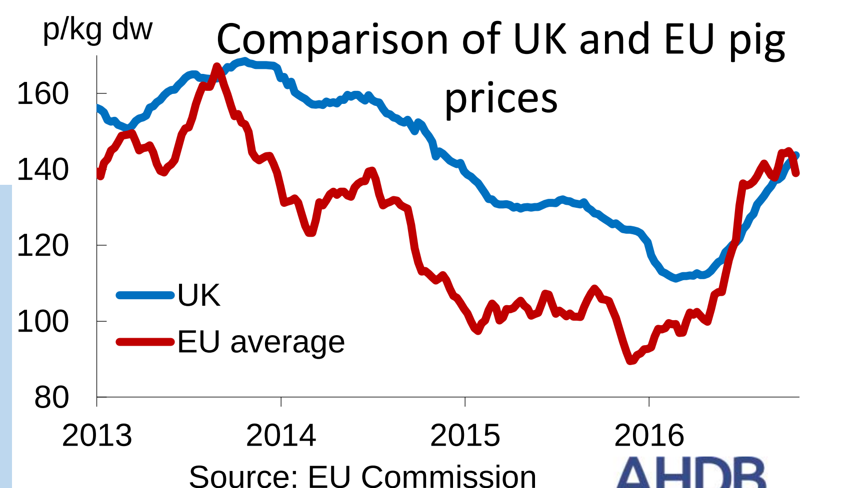
International comparisons







- UK production costs higher than competitors, although weaker pound will have helped
- Productivity gains haven't been enough to close gap on other EU countries
- UK prices usually higher than EU average too

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Note: the chart comparing UK and EU prices uses gross pig prices. To compare the net price received by producers, the UK price needs to be reduced by about 6p/kg relative to the EU average