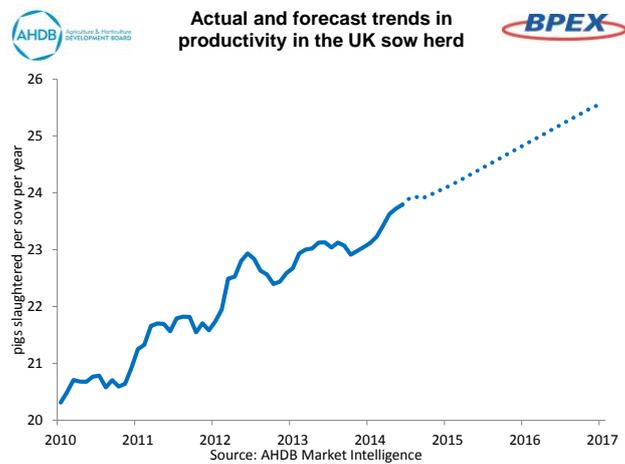


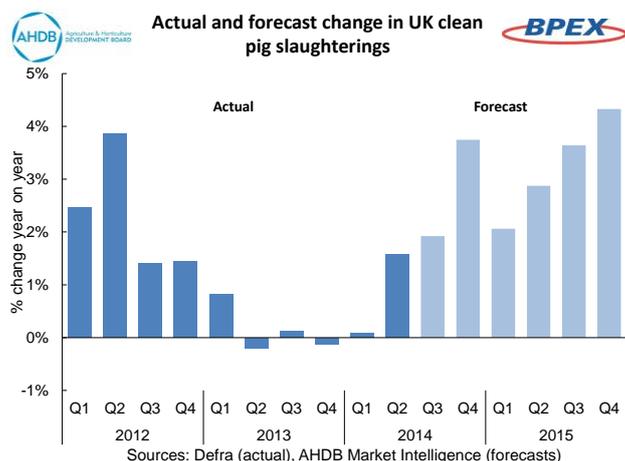
## Demand key to outlook as UK pig supplies increase

Latest [AHDB/BPEX forecasts for UK pig meat supplies](#) point to an increase in availability in the coming months. This has the potential to sustain the recent softening of domestic pig prices. However, much will depend on how demand responds both at home and on export markets. Demand has been sluggish of late, particularly on the domestic market, and future prospects are uncertain.

UK clean pig slaughterings in the second quarter were higher than expected. Throughputs were up 2% overall at 2.46 million head, the biggest rise in two years. This suggests that productivity has been even better than expected, with the number of pigs slaughtered per sow per year approaching 24; it was below 20 as recently as 2009. The rate of improvement has been broadly consistent over the last four years and this is expected to continue in the medium term.



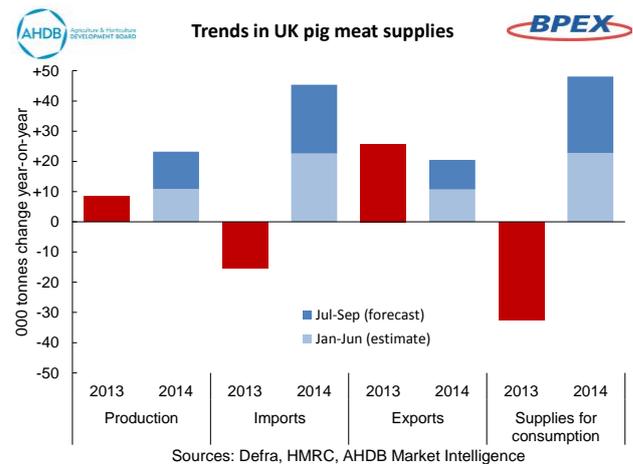
The recent upturn in slaughterings may also reflect the mild weather this winter, which will have meant better growth rates, leading to some pigs being marketed earlier. This could mean some short-term tightening of supplies in the next couple of months. However, with the breeding herd thought to have stabilised and productivity continuing to improve, throughputs are expected to rise further for the rest of this year and into 2015.



Of late, carcase weights have fallen close to last year's levels. If this continues, it may help to mitigate the forecast rise in slaughterings to some extent, so that the growth in domestic pig meat output in the second half of this year may be only slightly higher than in the first.

Imported pig meat is also likely to remain more plentiful. In the first half of the year, there was a 5% increase in supplies from overseas and a similar rise is forecast for the second half. Although increased demand from other export buyers has largely offset the loss of the Russian market, there is still some surplus product on the EU market. This has helped to keep prices on the continent well below those in the UK; the gap is still around 20p per kg, while this time last year it was less than half that and falling. The strengthening pound has also contributed, reducing EU prices by around 7p in sterling terms since the start of the year.

Despite the exchange rate movement, export growth is continuing. With supply shortages and high prices globally, UK pork remains competitive on key export markets, notably China. However, any increase will be insufficient to make a big dent in the level of supplies on the domestic market.



Overall, the latest forecasts suggest a 3% rise in supplies available on the UK market. This is currently being met by subdued consumer demand, particularly for fresh pork. Much of the additional meat, particularly from imports, is therefore likely to be finding its way into lower-value processed products or foodservice.

Inevitably, this is starting to pull pig prices lower. Whether this trend continues will depend on how demand responds. So far, the improved economy hasn't led to increased meat sales – in fact, quite the opposite. However, once holidays are over and the weather turns colder, that situation could easily change. Equally, export demand could strengthen further, given the tight supply situation globally, particularly as the second half of the year is usually better for exports to the Far East. This suggests that, while they may continue to ease, pig prices could well stay strong by historic standards.