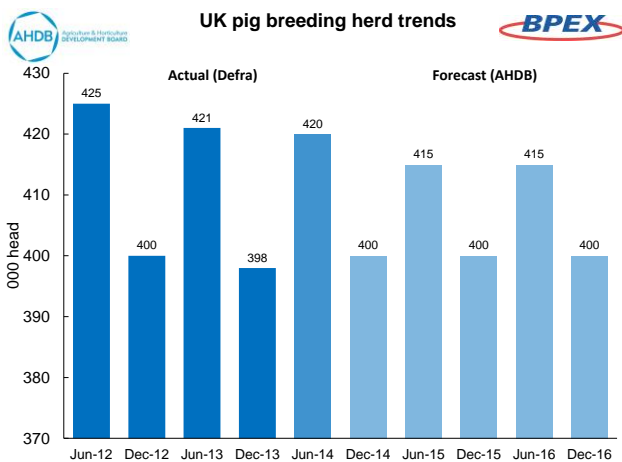


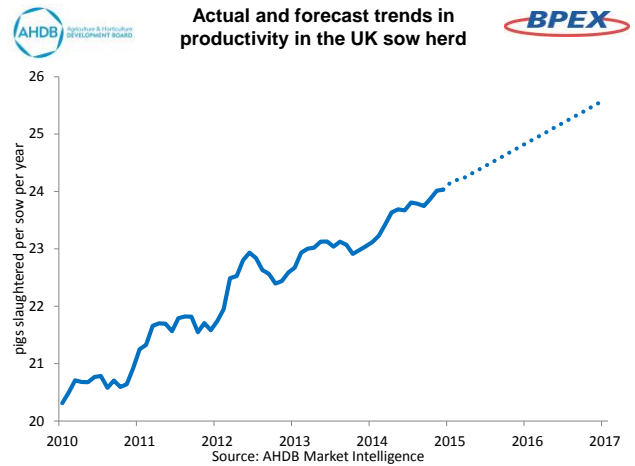
# Outlook for UK Pig Meat Supplies – February 2015

Final UK figures from the June survey indicate a 3% year-on-year decline in the sow herd to 406,000 head. However, a decline on this scale was unexpected, given the improved profitability of producers in 2013-14. If correct, it should have led to a slowdown in slaughtering growth at the end of 2014. In fact, slaughterings rose quickly during this period, with fourth quarter throughputs up 4% year on year. Unless there has been an unprecedented surge in productivity (and there is no other evidence for one), this suggests that there was more stability in the breeding herd than the June figure implies. These forecasts are, therefore, based on a breeding herd of 420,000 head, similar to the level in June 2013.

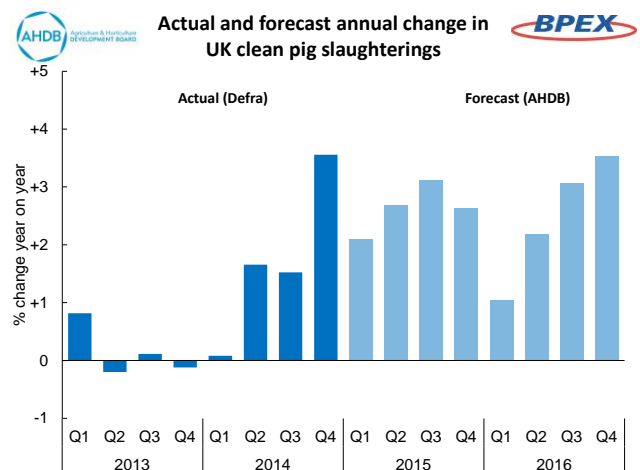
The financial situation of producers has worsened since June as pig prices have fallen while feed prices have stabilised since the autumn. Therefore, any thoughts of expansion are likely to have ended. In any case, the June survey showed a noticeable decrease in gilt numbers, suggesting that any expansion plans were limited. Despite this, most producers were still close to or above their break-even point at the end of 2014. Any significant contraction would lead to a rise in sow cullings and, if anything, the reverse has been true. Therefore, broad stability seems the most likely scenario for the breeding herd going forward.



Over the last five years, UK sow productivity has improved steadily. By the end of 2014, the country's slaughterhouses were killing the equivalent of about 24 UK-bred pigs per sow per year. A range of factors have influenced these gains, including better trained stockmen, enhanced genetics and nutrition and improved health. In the absence of major disruptions, such as disease outbreaks, there is little reason to think that the upward trend in productivity won't continue at a similar rate in the coming years. Certainly, international comparisons show that other major EU producers achieve higher productivity, so there is still room for improvement.



Since the spring, the increased productivity has led to a rise in UK clean pig slaughterings, given the relatively stable breeding herd. The growth accelerated in the final quarter of the year, providing further evidence that the breeding herd is unlikely to have declined significantly. For the coming year, similar factors will be at play, meaning that slaughterings are expected to increase further. Throughputs are forecast to increase by around 3% for the year as a whole, to just under 10.5 million head. If realised, this would represent the highest UK kill since before the 2001 FMD outbreak, although still well below the levels of the mid-1990s. Unless circumstances change, a similar rise is anticipated for 2016.



Further evidence for a broadly stable breeding herd is provided by data on slaughtering of sows and boars. In recent months, these have been below year earlier levels, the opposite of what would be expected if the herd was declining. However, rather than indicating expansion, this probably reflects the sharp fall in cull sow prices. That is likely to have meant that producers are retaining sows for longer than normal. If this trend continues, it could eventually hit productivity, as older sows typically produce smaller litters. Unless prices recover, sow and boar

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throughputs are likely to remain low in the short-term but will eventually have to pick up as the herd becomes older.

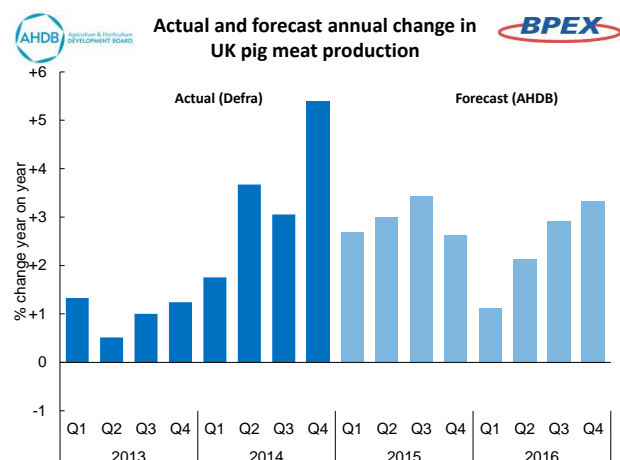
## Actual and forecast UK pig slaughtering

	Clean pigs			Sows and boars		
	2014	2015	2016	2014	2015	2016
000 head	2014	<b>2015</b>	<b>2016</b>	2014	<b>2015</b>	<b>2016</b>
Quarter 1	2,502	<b>2,554</b>	<b>2,581</b>	64	<b>60</b>	<b>62</b>
Quarter 2	2,463	<b>2,529</b>	<b>2,584</b>	62	<b>61</b>	<b>62</b>
Quarter 3	2,566	<b>2,646</b>	<b>2,728</b>	59	<b>60</b>	<b>62</b>
Quarter 4	2,692	<b>2,763</b>	<b>2,861</b>	58	<b>60</b>	<b>62</b>
Year	10,223	<b>10,492</b>	<b>10,753</b>	243	<b>241</b>	<b>247</b>

Source: Defra, AHDB. Figures in bold are forecasts

Good growing conditions and lower feed prices have contributed to an increase in carcase weights in the last year. There have also been more reports of pigs being rolled as supply has outstripped demand. Although some of these factors may ease this year, there could be a further modest rise in weights next year, in line with the long-term trend.

Higher weights mean that pig meat production rose faster than slaughterings in 2014, increasing by 3% to a 14-year high of 862,100 tonnes. Over the next two years, the rise in slaughterings is expected to drive production growth. Increases of 3% this year and 2% next are forecast to take output to over 900,000 tonnes for the first time since 2000.



With extra supplies of British pig meat on the market, prices will come under further pressure unless demand picks up.

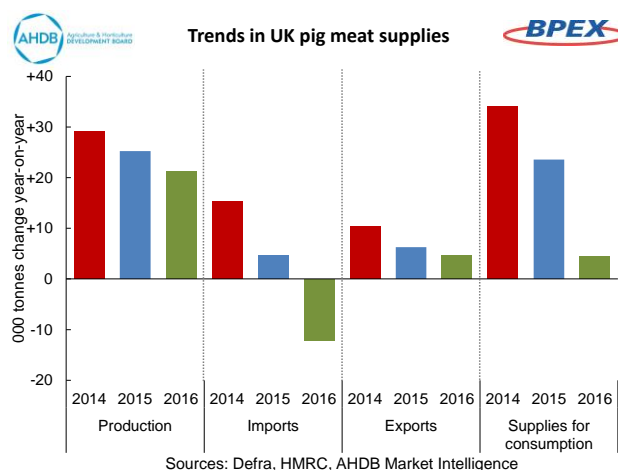
## Actual and forecast supplies of pig meat in the UK

000 tonnes (cwe)	2013		2014				2015					2016
	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Year
Production	833	212	207	215	228	862	<b>218</b>	<b>213</b>	<b>222</b>	<b>234</b>	<b>887</b>	<b>909</b>
Imports	927	228	236	235	<b>244</b>	<b>943</b>	<b>228</b>	<b>236</b>	<b>237</b>	<b>246</b>	<b>947</b>	<b>935</b>
(Fresh/frozen)	(392)	(95)	(99)	(97)	<b>(101)</b>	<b>(392)</b>	<b>(93)</b>	<b>(97)</b>	<b>(95)</b>	<b>(97)</b>	<b>(382)</b>	<b>(375)</b>
(Bacon)	(292)	(72)	(73)	(76)	<b>(79)</b>	<b>(299)</b>	<b>(75)</b>	<b>(75)</b>	<b>(78)</b>	<b>(85)</b>	<b>(313)</b>	<b>(310)</b>
(Processed)	(243)	(60)	(64)	(63)	<b>(64)</b>	<b>(252)</b>	<b>(60)</b>	<b>(64)</b>	<b>(64)</b>	<b>(64)</b>	<b>(252)</b>	<b>(250)</b>
Exports	229	60	59	61	<b>58</b>	<b>239</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>65</b>	<b>245</b>	<b>250</b>
Available for consumption	1,532	380	384	388	<b>414</b>	<b>1,566</b>	<b>386</b>	<b>389</b>	<b>399</b>	<b>415</b>	<b>1,589</b>	<b>1,594</b>

Source: Defra, AHDB. Figures in bold are forecasts

The extent of the downward pressure will depend on how imports and exports affect supplies. Over the last year, despite the gap between UK and EU prices being at record levels, pig meat imports have only increased by 2%. This suggests that pork buyers remain committed to sourcing UK product and, unless that changes, further import growth is likely to be limited. Shipments may even fall back next year, if EU production drops due to the current poor profitability.

Export growth continued last year, albeit at a slower rate. The weakening of the euro against the pound will have hit the competitiveness of UK pig meat on export markets. In addition, increased availability from US and Canadian supplies will make the global market more challenging. Nevertheless, a further small rise in exports is forecast for this year and next, although prices may need to be lower in order to compete for orders.



Balancing all these factors out, supplies available for consumption on the domestic market were higher last year and the situation will be similar in 2015. So far, this hasn't been matched by an increase in consumer demand, which has created pressure on pig prices. Further supply growth is forecast for this year, which will require a demand response to relieve the pressure on prices. Supplies may begin to tighten towards the end of the year and into 2016 but much could change between now and then.