State of the Poultry Industry

AHDB Outlook Conference

11th February 2015

Gary Ford

NFU Chief Poultry Advisor
• Chief Poultry Adviser since September 2013
• NFU for 11 years various roles
• Poultry (broiler) industry for 10 years
Agenda

• Overview
• Statistics - Production
• Statistics - Consumption
• Challenges
• Opportunities
Facts!

- British consumers buy more poultry than any other meat
- Poultry makes up around half of all meat by weight purchased in the UK
- Poultry prices have risen more slowly than food prices in general over the last decade
- The UK is a major international producer of poultry meat, home to 14% of total EU production
Economic importance of the poultry industry

- UK sales of approx £6.1 billion.
- £3.3 billion GVA contribution to UK GDP through its direct, supply chain and wage consumption impacts.
- For every £1 billion it contributes in GVA, the industry generates another £1.3 billion in the rest of the UK economy through supply chain.
- The poultry meat industry supports 73,200 jobs in the UK.
- The industry supports £1 billion in total tax payable to the Exchequer, equivalent to £36 for every household in the UK.
Some Key Industry Players

2 Sisters Food Group
Moy Park
Faccenda
Cargill (Sun Valley)
Banham Poultry
Frank Bird Ltd
Highbury
IHP
Crown Poultry
Gafoor Poultry
Traditional Norfolk Poultry

UK slaughter approx 17.5 million birds per week

80% Integrated (£1.00/m2/wk) 20% Independent (78p/kg lwt)
Poultry dominates meat purchases

GB Household Retail Purchases by Volume (total fresh/frozen)

Source: Kantar Worldpanel

NFUnited
There’s strength in members.
And by value!

Source: Kantar Worldpanel
Retail sales of poultry meat - volume

2013  2014

Source: Kantar Worldpanel
A cost-effective source of meat protein too

Source: Kantar Worldpanel
And higher per capita consumption compared with other meats!

Source: Defra

NFUnited
There’s strength in members.
The competition

- British chicken b/f - £5.79/kg
- British Pork Loin Steaks - £4.98/kg
- British Rump Steak - £12.33/kg
- British Sirloin Steak - £15.37/kg
- British Lamb Breast Joint - £4.89/kg

Source: Aldi

NFUnited
There’s strength in members.
Long-term trends in chick placings

Source: Defra Hatcheries Survey
Supplying the UK’s poultry meat demand

Source: Defra Hatcheries Survey
Despite its role as a major producer, the UK is not self-sufficient in poultry.

Source: Deftra & HMRC

NFUnited
There’s strength in members.
But, growing participation in international trade

**UK fresh and frozen poultrymeat exports**

<table>
<thead>
<tr>
<th>Year</th>
<th>000 tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>191</td>
</tr>
<tr>
<td>2005</td>
<td>305</td>
</tr>
<tr>
<td>2006</td>
<td>259</td>
</tr>
<tr>
<td>2007</td>
<td>292</td>
</tr>
<tr>
<td>2008</td>
<td>278</td>
</tr>
<tr>
<td>2009</td>
<td>258</td>
</tr>
<tr>
<td>2010</td>
<td>270</td>
</tr>
<tr>
<td>2011</td>
<td>295</td>
</tr>
<tr>
<td>2012</td>
<td>290</td>
</tr>
<tr>
<td>2013</td>
<td>342</td>
</tr>
</tbody>
</table>

Source: Deftra & HMRC
UK a major producer in an EU context

Source: Eurostats
European Outlook: Production & consumption of poultrymeat continues to grow

Outlook period 2014 - 2024

Source: European Commission Agricultural Outlook
Further rise in per capita consumption by 2024

Source: European Commission Agricultural Outlook

Per capita Kg

Per capita consumption on retail weight equivalent

Outlook period 2014 - 2024

Source: European Commission Agricultural Outlook

NFUnited
There’s strength in members.
Highest confidence level for the poultry sector in 2014

Source: NFU Confidence Survey 2014
Challenges/Threat
Campylobacter

- ‘thin ice’
- 27% down to 10% by 2015
- Q2 FSA retail survey 18% (70% overall)
- Q3 due 26 February
- Final report June
- Sonosteam (95 degrees)
- RSC (1.5 log)
- No thin (1.5 log) but 25% impact on floor space - planning
- On farm testing – enhanced bio security
- Farmer incentives
- Packaging technology and kitchen hygiene – cook in the bag, Electrolux Smart knife concept
- Newer sheds (< 15 years better results) – drive for ‘younger’ growers
- Industry working in collaboration with FSA
Threats

• AMR – founder members of RUMA

• TTIP – Transatlantic Trade and Investment Partnership (defensive interests) Association of Poultry Processors and Poultry Trade in the EU (AVEC) 2011 estimated that costs of EU regulations is 5% of production cost. Lactic Acid wash

• Planning – factory farming, ‘the countryside will be ruined’ but concerns

• Anti-intensive livestock rhetoric from the media

• Avian Influenza
  - High Path E Yorks
  - Low Path Hampshire

• Trade – 14 countries partial/total ban incl South Africa (11.1% of all EU exports)
How drugs pumped into supermarket chickens pose a terrifying threat to our health
Challenges

• Carcass balance/utilisation

• Shed age – average shed 24 years old (2009 survey) – old estate & expensive to operate (60% 20 years+)

• Intense competition amongst retailers

• Promotions – create false demand and devalue the product

• Feed volatility

• Expansion

• Public Image of the poultry sector – Open Farm Sunday
Image of the industry

From farm to fork in six weeks

Young age of meat we eat
Opportunities

• Genetics – 1 day per year
• 2.2kgs lwt @ 36 days – 60g/day average FCR of 1.69
• 1.4:1 by 2020 (lower)
• Beef 8.0:1
• Pork 2.8:1

• FCR – 1 point = 4,000 hectares saved eg 1.65 down to 1.55

• Biomass – less reliance on volatile fossil fuels plus RHI
• Alternative Protein sources - PIP
Poultry Litter Combustion - for larger units (250,000 birds +)
Opportunities

• Retailers have responded well to Horsegate and other factors and driven British Agenda – ready meals, frozen, McDonalds (500K), public procurement (Hospital Food Review 2015/16), service sector

• UK food self-sufficiency had reduced to 60% in 2013, whilst the UK population is forecast to increase by 15% by 2035

• According to Eurostat1 projections:
  By the mid-2040s the UK will be the most populous country in the EU. Based on data drawn from the UK’s ONS, Eurostat predicts that the UK’s population will be 77 million compared with Germany (75 million) and France (74 million)

• EU meat consumption estimated to increase by 3% over next 6 years and 20-22% in Asia and Africa

• A YouGov poll carried out for the NFU in 2014 found that 86% of shoppers wanted to buy more traceable food produced on British Farms.

NFUnited
There’s strength in members.