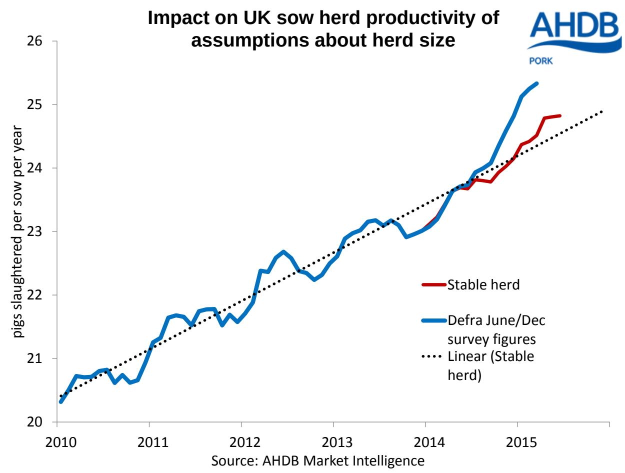
Outlook for UK Pig Meat Supplies – July 2015

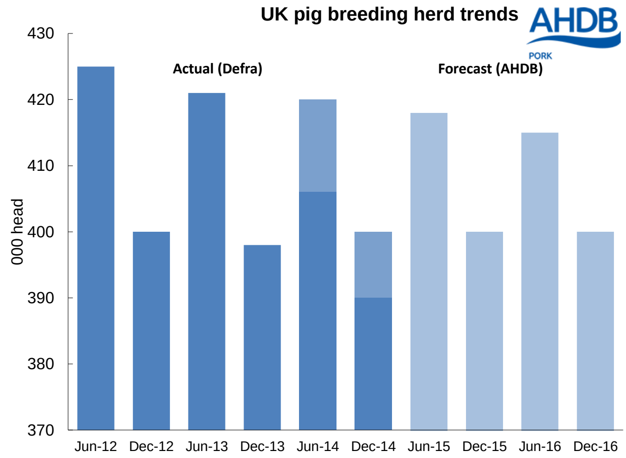
Latest AHDB forecasts for UK pig meat supplies show that the increase in domestic supplies, which has been apparent over the last year, is likely to continue. The overall supply situation will depend on whether the recent slowdown in imports continues. If it does, the growth in available supplies this year may be slower than last year, with a further slowing of growth in 2016.

Both the June and December surveys from Defra showed a decline in the UK sow herd, including in-pig gilts. The December survey also recorded a particularly sharp fall in in-pig sows and gilts. The declines recorded were large enough that they should have led to a levelling off or even decline in clean pig slaughterings from the start of this year, if not before. In reality, slaughterings have continued to rise, with the rate of growth increasing, if anything.

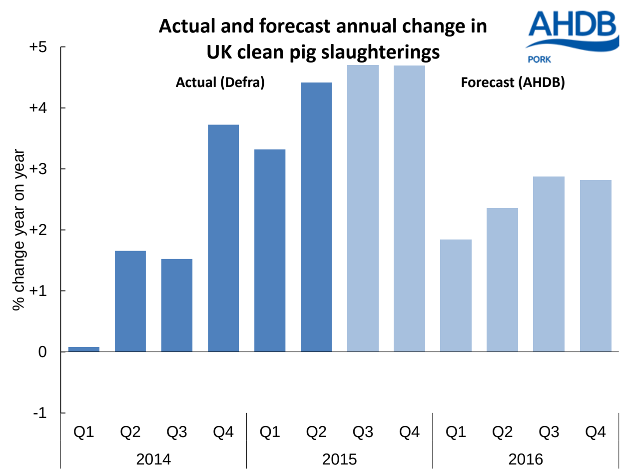
These higher slaughterings mean that, if the Defra figures are right, there has been a sustained dramatic rise in productivity on an unprecedented scale. Even if the true situation is that the breeding herd was broadly stable last year, productivity has moved slightly ahead of the long-term trend. While some improvement could be explained by the relatively favourable weather conditions over the last year, the surge based on using the official figures would require much more substantial change.



Since there is no other evidence to support such a sharp improvement in productivity, these forecasts are based on a stable breeding herd, rather than using the official figures from Defra's surveys. Although lower pig prices have put producers under increasing pressure, feed costs have also been relatively low. This suggests that the broad stability in the herd may continue in the immediate future, in the absence of any dramatic price movements. This is supported by the relatively low level of sow culling of late, given very low cull sow prices.



With a broadly stable breeding herd, the productivity growth mentioned previously remains the main driver of production levels. The steady upward trend in pigs finished per sow per year continues, due to improvements in areas such as health, genetics, nutrition and husbandry. With a slight acceleration in the trend apparent over the last year, the number of pigs per sow may reach nearly 25 this year, around one more than in 2014. Improvement is then expected to gradually return to the long-term trend, meaning slightly slower growth in slaughterings in 2016.



The other factor influencing production levels is carcase weights. These have been running significantly above year earlier levels but the gap has begun to narrow recently. Future trends in carcase weights will depend on market conditions. However, the most likely scenario seems to be that weights will only be slightly higher in the year ahead, perhaps even dropping below year earlier levels for a time, most likely around the turn of the year.

For most of the last year, sow slaughterings have been relatively low, although they have picked up in recent weeks. This is largely because of the poor prices available, which may mean that some sows have been retained for longer.

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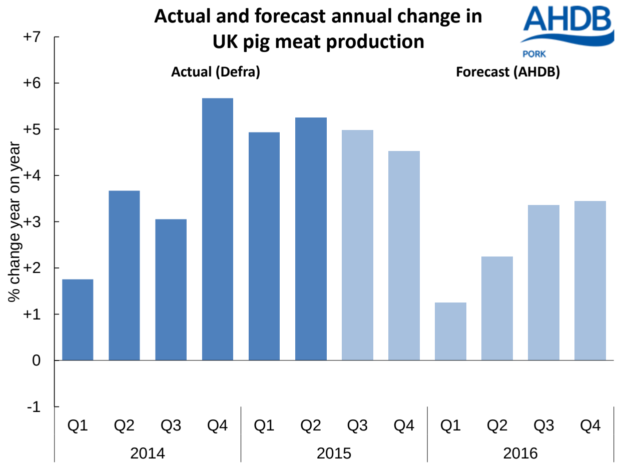
The recent upturn in slaughterings is probably just a return to more normal levels of culling as the sow herd gets slightly older. However, it could be an indication that low pig prices are starting to lead to some producers reducing their herds. Until this is clearer, the most likely scenario seems to be for sow slaughterings to be slightly higher than recent months, consistent with the assumption of a stable breeding herd.

Actual and forecast UK pig slaughterings

	Clean pigs			Sows and boars		
000 head	2014	**2015**	**2016**	2014	**2015**	**2016**
Quarter 1	2,502	2,585	**2,633**	64	61	**63**
Quarter 2	2,463	2,571	**2,632**	62	61	**62**
Quarter 3	2,566	**2,687**	**2,764**	59	**60**	**61**
Quarter 4	2,696	**2,823**	**2,902**	58	**60**	**61**
Year	10,227	**10,666**	**10,931**	243	**242**	**248**

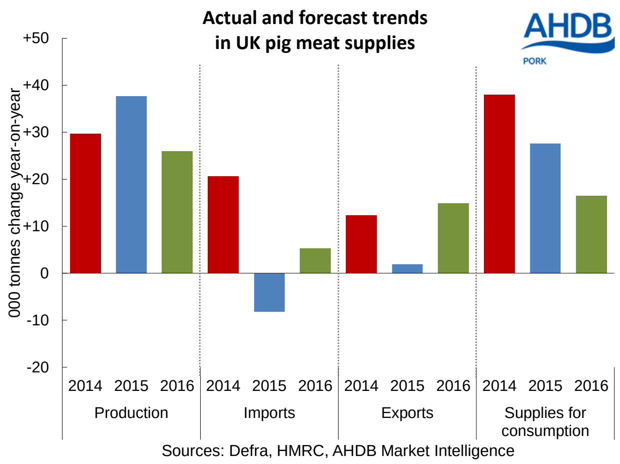
Source: Defra, AHDB. Figures in bold are forecasts

With a modest increase in carcase weights and little change in sow slaughterings, growth in pig meat production for the remainder of 2015 and most of 2016 is likely to be driven by trends in clean pig slaughterings. Therefore, production growth is forecasted to continue at a similar rate for the rest of 2015 before slowing somewhat next year.



Although the gap between UK and EU pig prices remains high by historic standards, as has been the case for nearly two years now, there is still no sign it is leading to an increase in pig meat imports. Indeed, in the first five months of 2015, imports were actually down on a year earlier. With retail buyers still apparently committed to UK sourcing wherever possible and with plentiful domestic supplies available, there is little reason to think that imports will rise during the rest of this year. Therefore, the total for the year as a whole may be slightly down on the level in 2014. At present, little change is anticipated for next year either, especially as it is possible that the gap between UK and EU prices could narrow if supplies tighten on the continent.

While the weak euro doesn't seem to have affected imports, it is making it harder for exports to compete with product from the rest of the EU. As a result, UK pig meat exports in the first five months of 2015 have been little changed from a year earlier, despite the increased output. Unless the pound weakens, this may remain the situation for the rest of the year. If the exchange rate does stabilise, some growth may be possible next year, particularly if the Chinese market opens for trotters later this year.



Balancing all these factors, total supplies on the UK market are forecast to grow again this year, albeit at a slightly slower rate than in 2014, with a further slowdown in growth in 2016. Nevertheless, with supplies increasing further, consumer demand will need to rise if the pressure on pig prices is going to be relieved.

Actual and forecast supplies of pig meat in the UK

000 tonnes (cwe)	2014					2015					**2016**
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	**Year**
Production	212	207	215	229	863	223	218	**225**	**239**	**905**	**929**
Imports	228	237	235	249	948	233	**223**	**234**	**250**	**940**	**945**
(Fresh/frozen)	(95)	(100)	(97)	(104)	(396)	(97)	**(93)**	**(96)**	**(104)**	**(390)**	**(390)**
(Bacon)	(72)	(73)	(76)	(79)	(300)	(72)	**(68)**	**(75)**	**(80)**	**(295)**	**(295)**
(Processed)	(60)	(64)	(62)	(65)	(252)	(64)	**(62)**	**(63)**	**(66)**	**(255)**	**(260)**
Exports	56	56	61	60	233	58	**55**	**59**	**63**	**235**	**250**
Available for consumption	384	388	388	417	1,577	397	**386**	**400**	**426**	**1,610**	**1,624**

Source: Defra, AHDB. Figures in bold are forecasts