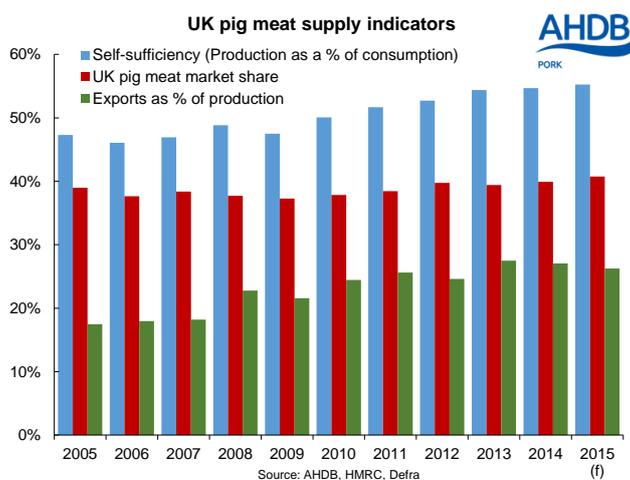


Carcase balance limiting UK pig meat's market share

Over the last decade, the UK's self-sufficiency in pig meat has increased from around 47% to 55%. This has been the result of an increase of nearly a quarter in pig meat production, while consumption has risen much more slowly, around 6% over the same time period.

However, despite this seemingly positive situation, the UK's share of the domestic pig meat market has stayed stubbornly low, at around 40%. This figure is only a couple of percentage points higher than in the mid-2000s. Instead, much of the increased production has found its way onto export markets, with shipments having nearly doubled and now accounting for over a quarter of production.



So what is preventing the UK from growing its market share? The answer is carcass balance. Many UK consumers purchase a relatively small range of pig meat products. The most popular ones come from only certain parts of the carcass, leaving surplus meat from other cuts without a domestic market. This surplus has to find an export market or, if that isn't possible, it will end up in pet food or a non-food use. Any of these options will require the meat to be priced competitively, reducing the total value of each carcass.

The two main primal cuts where demand exceeds supply in the UK are the loin and the leg. For the former, consumption has been estimated to be equivalent to around 23 million pigs worth of loins annually. This is more than twice the number of pigs slaughtered in the UK during a year.

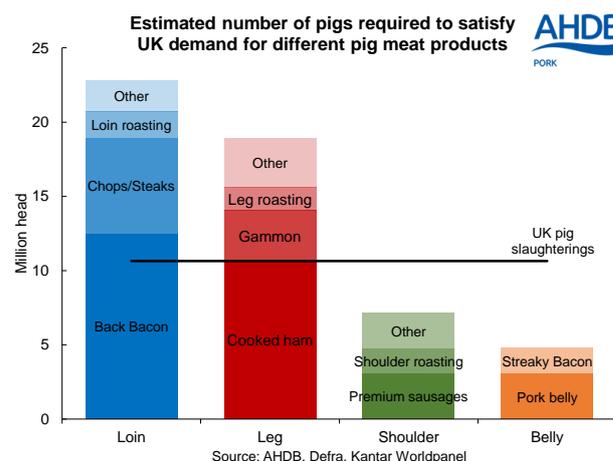
More than half of this total comes from sales of back bacon. In the 52 weeks ended 11 October 2015, UK consumers purchased 117,000 tonnes of back bacon rashers from retailers, according to Kantar Worldpanel. Allowing for some additional sales through foodservice, that is equivalent to over 12 million pigs worth of loins.

In other words, even if all of the loins from all UK pigs were sold as back bacon, there still wouldn't be enough to satisfy

demand. Given that several popular fresh pork cuts, such as chops, steaks and roasting joints, also come from the loin, there is clearly a massive demand which can currently only be satisfied by importing loins.

The situation is similar for legs, with around 19 million pigs required to meet UK demand. Here, the main products involved are gammon and ham. Cooked ham sales in the 52 weeks to 11 October required the legs of between 10 and 11 million pigs, about the number slaughtered in the UK annually. However, gammon sales add a further 3.5 million to this total and leg roasting joints another 1.5 million. That's before you add in all the other uses for ham and pork, for example in ready meals.

However, the picture is different for other cuts. For example, demand for shoulders is estimated at only 7 million pigs worth, although that figure is being helped by the rising popularity of pulled pork. The most important demand for shoulder, however, still comes in the form of premium sausages, which generally use shoulder meat. Demand for belly meat is even lower, equating to about 5 million pigs, around a third of which comes from streaky bacon.



Other parts of the carcass, such as the head, tail and trotters attract virtually no demand from domestic consumers. Together with the excess shoulders and bellies, these cuts have to find export markets. Increasingly, they are destined for emerging markets but the prices available will be much lower than for cuts which are in demand closer to home.

Unless consumer preferences change radically, which seems unlikely, the issue of carcass balance isn't going to go away. This will limit the ability of the UK pig industry to grow, as it would mean an even bigger surplus of cuts such as shoulders and bellies. This would push prices for these cuts down further, with a likely knock-on effect on carcass prices. In reality, that means that production can only grow as new markets for these cuts are developed. Therefore, while further expansion of the UK herd is possible, it is likely to remain steady rather than spectacular.