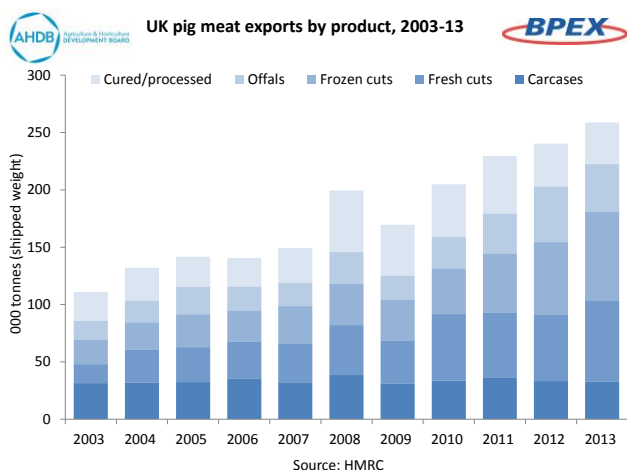


The changing mix of UK pig meat exports

One of the reasons UK pig prices have reached new highs in the last couple of years is the strength of exports. Total pig meat shipments have risen from a low point of 111,000 tonnes shipped weight in 2003 to 259,000 tonnes last year. So far this year, exports have been higher still. Last year's figure was equivalent to 27% of UK production, nearly double the share in 2003. With export growth exceeding the rise in production, it has helped to push prices from 105p/kg in 2003 to an average of 165p/kg a decade later.

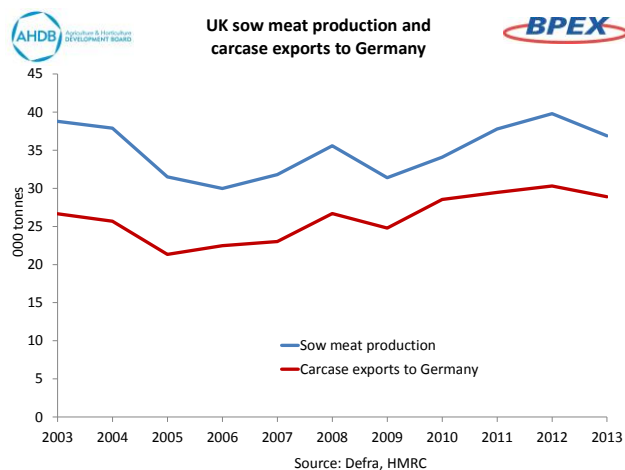
So what are UK exports made up of? Most pig meat exports are of fresh/frozen pork; last year it made up around 70% of total volumes (shipped weight). These predominantly consist of cuts where domestic demand is insufficient to match supply levels. Of the remainder, just over half is offal, with the rest made up of cured and processed products. Within the pork category, there are three main segments, each of which has shown different trends of late:

- Carcasses (including half carcasses)
- Fresh cuts
- Frozen cuts



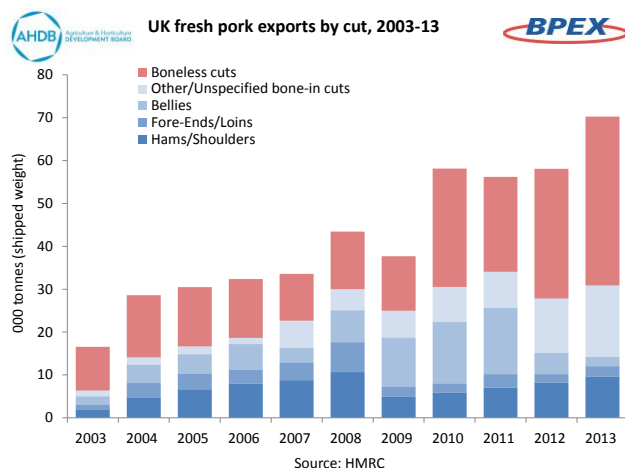
Ten years ago, fresh carcasses made up nearly half of pork exports. Since then volumes have been broadly stable and, with other shipments rising, they now make up only 18%. This trade is dominated by sow carcasses sent to Germany, so there is little scope for it to grow from current levels. The Netherlands and Belgium were the main secondary markets but both have taken fewer UK carcasses in recent years.

The importance of the German market for UK cull sows is apparent from the clear relationship with domestic sow meat production. Although they are not entirely made up of sow meat, carcass exports to Germany are equivalent to around three-quarters of UK sow meat output and the two series follow similar trends. With cull sow prices having risen since 2003, the value of carcass exports has grown from £22.7 million to £41.8 million last year.



Until the last two years, fresh pork cuts have made up the largest share of UK pig meat exports. Having reached 58,000 tonnes in 2010, volumes then plateaued until last year, when they increased to just over 70,000 tonnes. Virtually all of the fresh pork cuts are destined for other EU markets (over 99% last year). The most significant is Ireland, which accounted for just under a third of exports in 2013. Volumes to Ireland have trebled since 2003 but have been more stable of late.

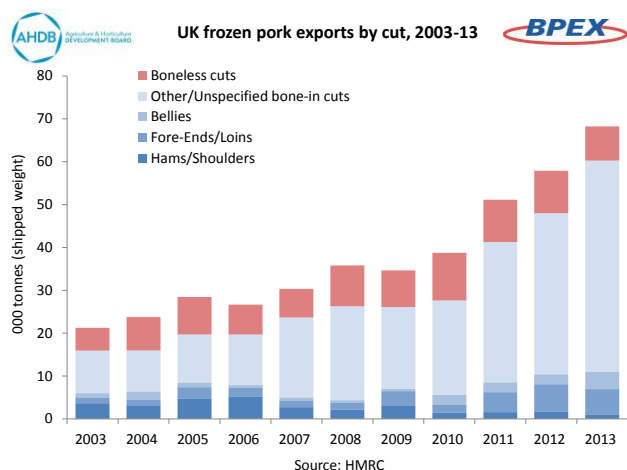
The other major destination for UK fresh pork cuts is the Netherlands but it is unlikely that it is the final destination in most cases, given that it is a major pork exporter. Instead, it probably just means that Rotterdam is the main port through which UK product reaches a variety of EU markets (or is shipped on to non-EU markets). Unfortunately, trade data do not tell us where this product eventually ends up. The same is true of pork exported to Denmark, the third largest buyer in 2013, most of which will also have been re-exported.



The growth of fresh pork exports in recent years has been driven by boneless cuts. Volumes of these have trebled since 2009, while bone-in shipments have only grown by 17%. Between 2007 and 2011 there was a steady rise in exports of bellies, mainly to the Netherlands and Belgium, but this trade has apparently since declined sharply. In part, this may be due to a revival in domestic demand for bellies but it could also indicate a change in recording, as volumes of 'other bone-in cuts' rose in the last two years. While this mainly

covers cuts not included in other categories, it is probably sometimes used for consignments made up of a mix of cuts.

These 'other bone-in cuts' are also of increasing significance among frozen exports, which have now overtaken fresh in volume terms. Having made up less than half of frozen exports until 2006, the 'other cuts' category's share rose to almost 75% in 2013. Other than this category, volumes of frozen cuts have risen only slowly and stabilised since 2011.



The growth of 'other cuts' has implications for the value of UK exports as prices are generally lower than for other cuts. For frozen cuts, the average in this category was just 82p/kg in 2013, compared with £1.65/kg for other frozen cuts. The gap was even bigger for fresh cuts, with the miscellaneous category averaging just 65p/kg, with other cuts at £1.63/kg.

While at face value these unit prices seem like a negative, it is worth remembering that many of these cuts will not previously have found a market for human consumption at all. In some cases, they may even have been sent for rendering, thereby incurring a cost. Therefore, these values are considerably higher than what could be realised otherwise and so even these low prices add to carcase value.

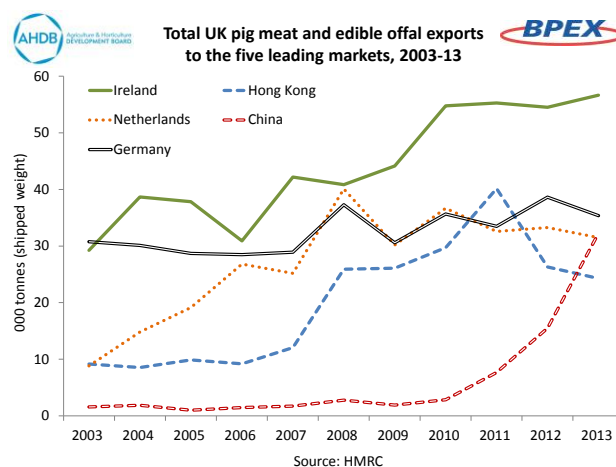
Unlike fresh exports, most frozen shipments are destined for markets outside the EU. Less than a third were sent to other EU countries and more than half of those went to Denmark and Holland, so the ultimate destination was probably outside the EU. This is in marked contrast to a decade ago, when over half of frozen pork exports stayed within the EU.

The key markets for frozen pork exports are now China and Hong Kong, which accounted for over half of shipments last year. For 'other bone-in cuts' their share was as high as 64%. Some smaller markets are emerging as important secondary destinations. These include Cote d'Ivoire, the Philippines and South Africa, which together accounted for 8% of shipments in this category last year, up from 1% two years ago.

Cured exports have been somewhat volatile in recent years but ended the decade at a similar level to where they began.

Processed shipments (including sausages) have increased steadily during the period, roughly doubling in volume between 2003 and 2013. However, at just under 23,000 tonnes, volumes are still much lower than for pork. Ireland is the leading market for all cured and processed products, currently taking around two thirds of UK exports.

Pig offal exports have more than doubled over the last decade. Until last year, growth rates had been similar for fresh and frozen offal, with virtually all of the former remaining within the EU and most of the latter leaving it. However, in 2013, fresh offal exports fell by nearly half, while frozen shipments continued to grow strongly. As a result, China and Hong Kong rose in importance to the offal trade; their share increased from 23% in 2012 to 37% last year.



Taking all edible pig meat products together, Ireland is the UK's largest export market. It played a key role in export growth up to 2010 but, as with the rest of the EU, shipments have stabilised since. Recent growth has been dominated by non-EU markets and particularly China. Last year, China moved up two places in the league table of export markets to third; so far this year it is second behind Ireland.

One consequence of the growth of the Chinese market is that unit prices of UK exports have not risen very quickly and last year, they fell slightly. As explained above, this is not necessarily a bad thing. However, it does mean that value growth, in real terms, has not been as strong as for volumes. Taking account of inflation, 2013's export earnings of £330 million, was around 80% higher than in 2003 but volumes more than doubled over that period.

Export growth delivers value to the UK pig industry in two key ways. First, it increases the overall demand for UK pig meat and diversifies the customer base. This helps to strengthen prices throughout the supply chain. Secondly, it provides markets for products for which there is little or no demand from the domestic market, thereby increasing the value of the carcase as a whole. Therefore, maintaining and developing export markets should continue to be a priority.