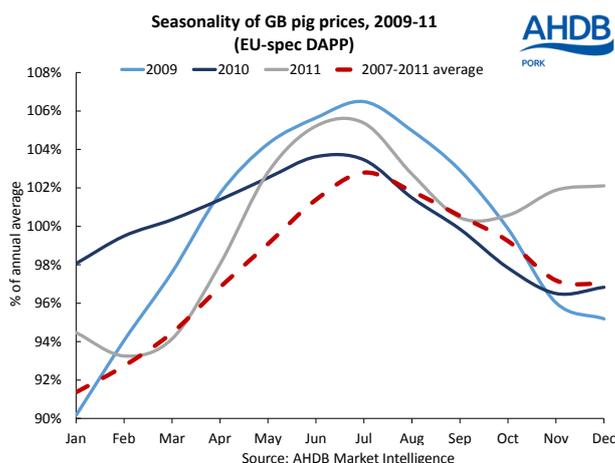


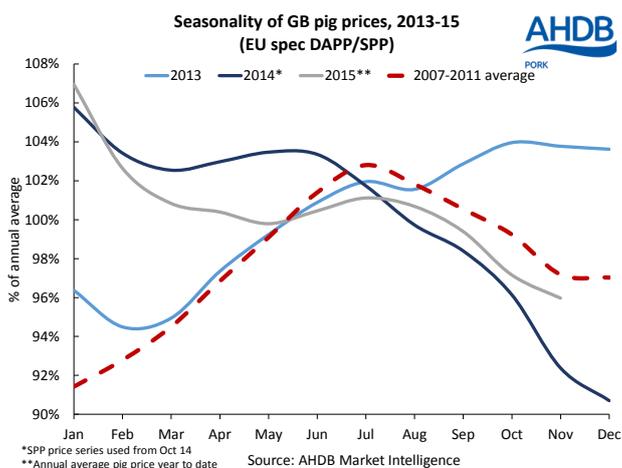
## The changing seasonality of pig prices

UK pig production is not particularly seasonal, even though there are slight changes to fertility and growth rates at certain times of the year. Nevertheless, seasonality in the pig market is an important factor to consider for both producers and processors when seeking to optimise their margins.

Historically, finished pig prices have generally followed a similar seasonal trend year on year. The price would increase from the beginning of the year up until the summer, typically peaking in June or July. It would then fall from August until November before stabilising in December.



Since 2011, however, the traditional seasonal pattern that had been observed for many years has begun to diverge away from the usual trend. For example, throughout 2014 and for most of this year, prices have recorded a downward trend from the start of the year with only slight rises along the way. In 2012 and 2013, the reverse was true, with prices rising for most of the year, although with periods of stability.



Despite the change in the finished pig price trends over the past four years, there has been little deviation away from the usual annual slaughtering patterns. Numbers reach a low point in the summer before rising to a peak in the run up to Christmas. Little change in seasonal carcass weights has been noted either. This trend explains the traditional price

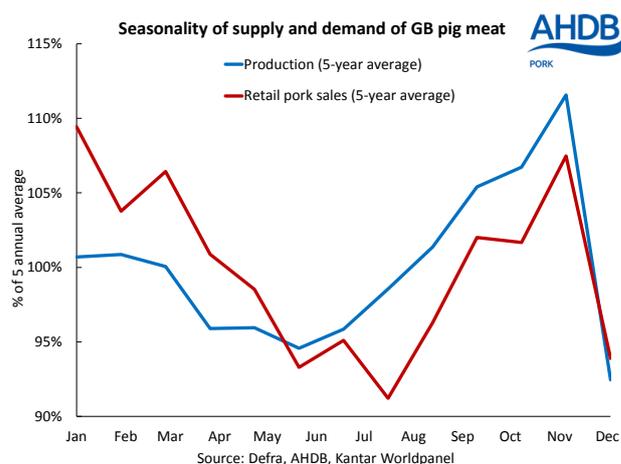
seasonality, as rising supplies coincide with falling prices and vice versa. This would suggest that the change in seasonality of finished pig prices is not due to a variation in supply.

So what is causing this move away from traditional seasonality? The main factor that is now driving the seasonality of the market, and has been for the last few years, is no longer supply, so it must be demand.

Over recent years there has been added pressure on UK supermarkets and discount retailers to source 100% British fresh produce. This has been driven by a greater consumer awareness of where their food comes from, allied to the higher welfare standards in the UK. With more retailers moving towards 100% British pork, there must be a higher proportion of British pig meat going into fresh pork at retail.

Fresh pork consumption and sales follow a seasonal trend themselves. During the colder months at the beginning of the year fresh pork consumption is at higher levels. Moving into the spring through until the end of summer fresh pig meat consumption falls and then picks back up again in the winter, before falling again at Christmas.

The trend in fresh pork consumption is roughly in line with that of pig production, where similar peaks and troughs are recorded. That being the case, it is perhaps unsurprising that seasonality has become less obvious and the finished pig price is being driven more by the underlying supply and demand in the market. At the moment the pig market is on a downward turn, with pig prices at the lowest levels in over seven years. This is because rising supply is outweighing subdued demand, driving finished pig prices down.



At least for the time being, seasonality is looking to be less of an influencing factor on the GB pig market and supply and demand aspects are the likely driver behind changes to pig prices. Therefore, we should not necessarily expect prices to pick up in the spring, as was the case in previous years, if the current market situation continues.