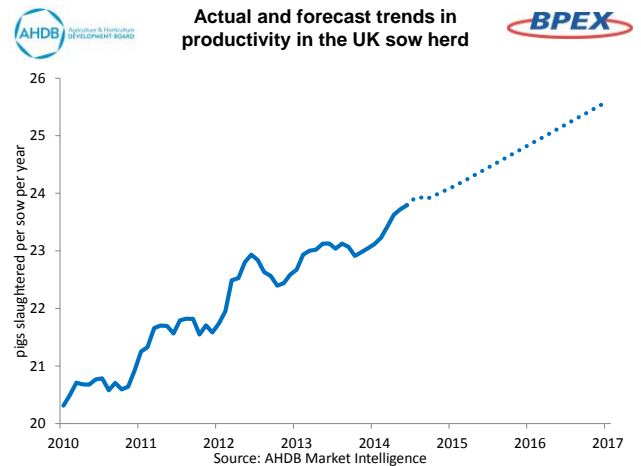
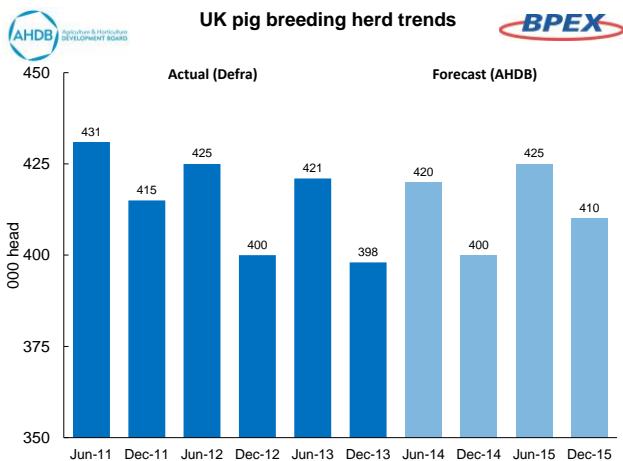


# Outlook for UK Pig Meat Supplies – July 2014

Until the June 2014 figures are published in September, the latest figures for the size of the UK pig herd relate to December 2013. These indicated a further slight decline in the sow herd, which was somewhat unexpected, given the better financial position of producers in the second half of 2013. However, with producers having faced negative margins in most recent years, it is perhaps not so surprising that they have been cautious about any expansion plans. In addition, some producers who would like to expand have been prevented from doing so by planning or environmental constraints.

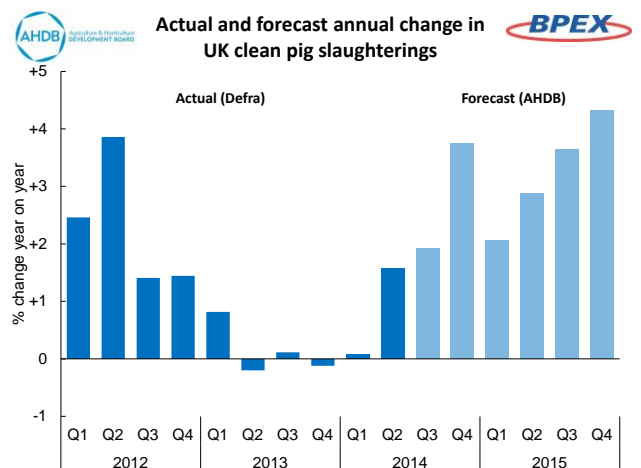
Looking at the figures in a bit more detail, the number of sows in-pig increased by 2% year on year but this was more than offset by an 11% decline for in-pig gilts. In addition, maiden gilt numbers fell by 10% on a year earlier, although it is worth noting that last year's figure was particularly high and in fact maiden gilt numbers were up on December 2011. The number of suckling or dry sows was up by 2%. With higher sow numbers but fewer gilts, the figures suggest less sow replacement happened last year than in 2012, perhaps because the age profile of the herd is now younger.

upward trend. This is the result of steady improvements in sow productivity. This trend continues, with the number of pigs slaughtered per sow close to 24 per year by mid-2014, having been below 20 until 2010. Productivity has improved at a fairly consistent rate over recent years, with factors such as genetics, health, nutrition and herd management contributing. With the focus on improving productivity ongoing, the upward trend is expected to continue in future years. The higher performance of many other EU Member States confirms that there is still plenty of room to increase productivity further.



The decline in the breeding herd during 2012 meant that, following three years of steady growth, UK clean pig slaughterings were virtually unchanged in 2013. The impact of the smaller breeding herd continued to be felt in the first quarter of 2014. However, throughputs increased in the second quarter as, with the breeding herd having stabilised, productivity gains began to reassert themselves as the main driver of the number of pigs being finished. This trend should continue through the remainder of 2014 and into 2015, with year-on-year growth of 3% forecast in both periods.

The financial position of pig producers in the last 12 months was better than for several years, due to a combination of firm pig prices and falling feed costs. Nevertheless, there are few signs that confidence has returned sufficiently to encourage producers to expand significantly. Therefore, we expect the breeding herd to remain broadly stable over the coming year. The loss of sows from one of the country's larger producers, which entered administration last year, will offset any growth among other producers. Any expansion in the medium term is likely to be modest, particularly as the planning and environmental constraints will remain in place.



Despite a stable to declining breeding herd, clean pig slaughterings in recent years have generally been on an



# Outlook for UK Pig Meat Supplies – July 2014

Sow slaughterings returned to more normal levels in 2013, following the inflated numbers in the second half of 2012. In early 2014, cullings have slipped back a little further, given a slightly younger herd than in previous years and subdued cull sow prices. Unless there are significant changes to market conditions, throughputs should remain close to recent levels for the remainder of 2014 and into next year.

## Actual and forecast UK pig slaughterings

	Clean pigs			Sows and boars		
	2013	2014	2015	2013	2014	2015
000 head						
Quarter 1	2,500	2,502	<b>2,553</b>	66	64	<b>65</b>
Quarter 2	2,422	2,460	<b>2,531</b>	64	62	<b>63</b>
Quarter 3	2,528	<b>2,576</b>	<b>2,670</b>	62	<b>62</b>	<b>62</b>
Quarter 4	2,600	<b>2,697</b>	<b>2,814</b>	60	<b>59</b>	<b>59</b>
Year	10,050	<b>10,236</b>	<b>10,569</b>	252	<b>246</b>	<b>249</b>

Source: Defra, AHDB. Figures in bold are forecasts

Carcase weights have consistently tracked above year earlier levels in 2013 and early 2014, reaching record levels in the first three months of this year. In recent weeks, weights have fallen back slightly, perhaps due to producers marketing animals slightly earlier in response to falling pig prices. Nevertheless, if feed prices remain relatively low, weights are likely to remain relatively high, staying close to or above year earlier levels.

The increase in carcass weights meant that pig meat production in 2013 was 1% above 2012's level, despite the stable slaughterings. Looking ahead, with slightly higher throughputs anticipated during 2014, production is set to rise by 3% this year to exceed 850,000 tonnes for the first time since 2000.

Since late last year, EU pig prices have been well below UK prices, with the gap larger than it has been for many years. Although this has led to a modest increase in pig meat imports, support for British pork remains strong. However, with consumer demand for fresh meat generally subdued, purchases have shifted towards cured and processed products, which make greater use of imported meat. This is backed up by trade figures which show a reversal in the

## Actual and forecast supplies of pig meat in the UK

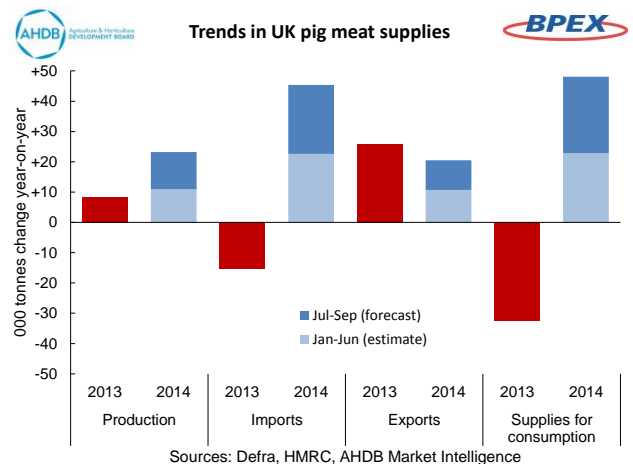
000 tonnes (cwe)	2013					2014					2015	
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Year	
Production	209	199	208	217	833	212	207	<b>213</b>	<b>224</b>	<b>856</b>	<b>888</b>	
Imports	215	223	236	254	928	227	<b>235</b>	<b>249</b>	<b>263</b>	<b>973</b>	<b>985</b>	
(Fresh/frozen)	(89)	(98)	(97)	(108)	(392)	(95)	<b>(101)</b>	<b>(103)</b>	<b>(112)</b>	<b>(411)</b>	<b>(420)</b>	
(Bacon)	(70)	(66)	(73)	(82)	(292)	(72)	<b>(71)</b>	<b>(77)</b>	<b>(85)</b>	<b>(305)</b>	<b>(300)</b>	
(Processed)	(56)	(59)	(65)	(63)	(244)	(60)	<b>(62)</b>	<b>(69)</b>	<b>(66)</b>	<b>(257)</b>	<b>(265)</b>	
Exports	55	53	59	62	229	60	<b>58</b>	<b>64</b>	<b>67</b>	<b>250</b>	<b>270</b>	
Available for consumption	369	370	385	408	1,532	378	<b>383</b>	<b>398</b>	<b>420</b>	<b>1,580</b>	<b>1,603</b>	

Source: Defra, AHDB. Figures in bold are forecasts

recent trend of declining bacon/ham imports and some growth in processed shipments.

These trends are likely to continue through the rest of the year but there are few signs that import growth will accelerate. EU supplies remain relatively tight and current forecasts suggest this will continue. Much of the pig meat which would have been shipped to Russia in the past has found a home elsewhere on the global market, due to tight global supplies as a result of PEDv in North America and Asia.

The shortage of US product will also create opportunities for UK exporters. Having shown strong growth last year, despite the tight supply situation, they have grown further in the early months of 2014. Relatively high UK prices and the stronger pound will dampen export growth to some extent. Nevertheless, further increases in shipments are likely during the rest of this year and beyond.



The combination of higher production and increased imports leaves more pig meat available for consumption on the UK market, even allowing for higher exports. With much of the additional supply currently being used in lower-value products, this has put downward pressure on prices. Whether this continues will depend on how consumer demand responds as confidence grows, with the improving economy, and temperatures begin to fall.

