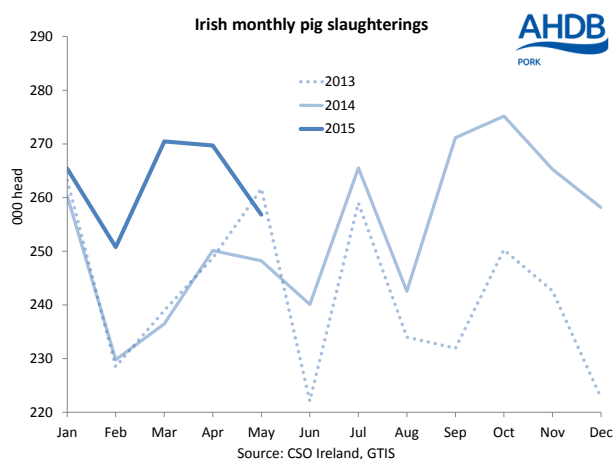


Irish market growing despite challenging finances

The UK's nearest neighbour, Ireland, has a relatively small pig herd, with fewer than 150,000 breeding sows. However, the country's small population means that it is still a significant pork exporter. It shipped nearly 150,000 tonnes of pork last year, along with 60,000 tonnes of other pig meat products.

Given the UK's proximity, much of Ireland's exported pig meat ends up on its market; Ireland is the fourth largest supplier overall and the largest source of processed imports. The relationship with the UK is strengthened by the import of around 500,000 Irish pigs for slaughter at plants in Northern Ireland. This trade has declined slightly of late, falling 7% last year and a further 2% in the first half of this year, as more Irish pigs are retained for slaughter south of the border.

The Irish pig herd has been in expansionary mode lately, since recovering from an outbreak of PRRS in 2013. The improved health status and higher productivity, combined with a small rise in the breeding herd and the reduction in live exports, meant that 5% more pigs were slaughtered in Ireland in 2014 than the previous year. In the first five months of this year, throughputs were up 7% year on year.



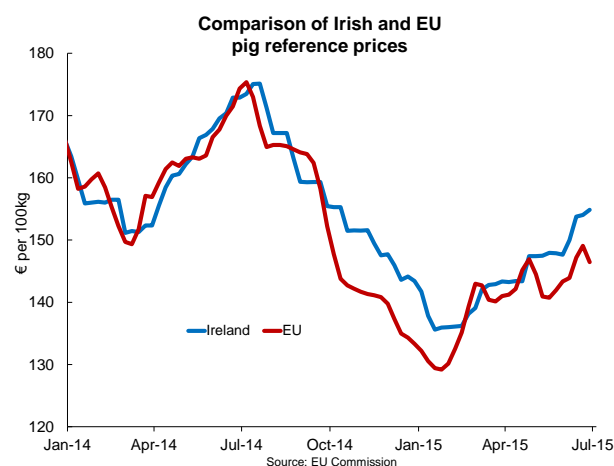
As in the UK, average carcass weights have been rising too, from 82.4kg in 2013 to 83.6kg in 2014 and 86.3kg in January-May 2015. This rise means that pig meat production has been growing even more strongly than slaughterings, up 6% last year and nearly 11% in 2015 so far. If this rate of increase continues, production could top 280,000 tonnes this year, more than 40,000 tonnes up on 2013.

Given the relatively small and stable domestic market, most of the increased supply inevitably ends up being exported. Irish pork exports rose 12%, or 16,000 tonnes, in 2014. Around a third of Irish exports head to the UK but the share fell in 2014, so only around 4,000 tonnes more Irish pork was sent to the UK. Higher processed exports will have added to this total though. In January-April 2015, Irish pork exports were up a further 12%, with around 2,500 tonnes more entering the UK. Although these extra volumes are relatively

small compared to the overall UK market, they came at a time when the market was already well supplied. Therefore, they will have added some extra pressure to UK prices.

Away from the UK, Irish exporters have had to cope with the loss of the Russian market, which took nearly 22,000 tonnes of Irish pork in 2013. Despite this, non-EU exports actually rose last year, as Asian markets such as Japan, Korea and the Philippines absorbed the surplus. Other EU markets have also performed strongly, particularly as sales to some Asian markets, notably Japan, have started to ease in early 2015.

Given that Ireland is a major exporter, its pig price has to follow the EU average relatively closely. However, since the autumn, the Irish price has generally tracked above the EU average. It didn't fall as far in the New Year and, as continental prices picked up, the Irish price followed them but when EU prices fell, Irish ones didn't. As a result, prices have averaged about 4 cents per kg higher than the EU average so far this year; in the same period last year, the Irish price averaged slightly lower than the EU one.



Nevertheless, current price levels are still relatively low by recent standards. With full production costs thought to be above €1.70 per kg, most producers are losing money and some will be under significant financial pressure. This is reflected in sow slaughtering figures, which show a 12% year-on-year increase in the first half of 2015, to the highest level since 2006. With throughputs also higher in the second half of 2014, over 12,000 more sows were culled in the last 12 months than a year before. If this translates into a similar fall in the breeding herd, it could mean a year-on-year reduction of 8%. In reality, the fall will probably have been smaller than this but it could still mean that the expansion of production may come to an end later in the year.

Any reduction in Irish supplies could take some pressure off the UK market, either through lower pork shipments or fewer Irish pigs being slaughtered in the UK. However, with several other EU countries being more important suppliers, developments elsewhere are likely to have more impact.