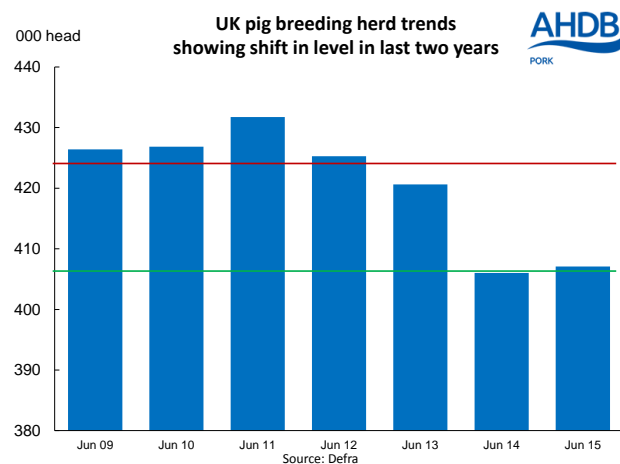


Outlook for UK Pig Meat Supplies – October 2015

UK pig meat production is expected to rise in 2016 for a seventh consecutive year, according to the latest supply forecasts from AHDB Pork. With the EU market also well supplied and prices on the continent well below UK levels, a further increase in imported pork is also predicted. With the relatively strong pound still limiting export growth, this means that there should again be more pig meat available on the UK market next year.

Provisional results from the June Agricultural Survey show a 2% fall in the UK pig herd, driven by lower numbers of feeding pigs. However, this trend is not supported by slaughtering figures for the four months since the survey date, which show over 125,000 more pigs being processed than in the same period last year. Therefore, the figures should be treated with some caution.

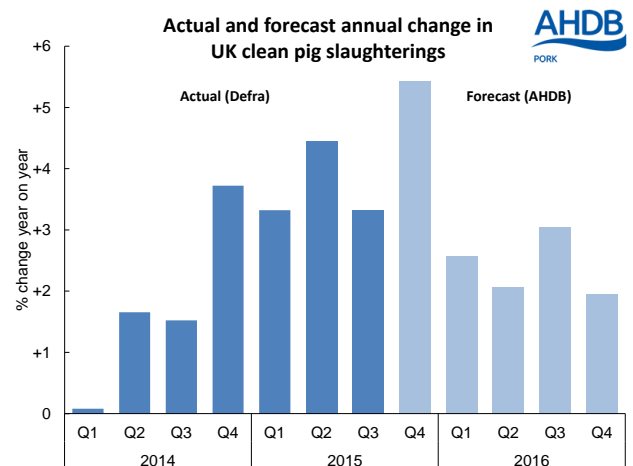


The survey also shows a broadly stable breeding herd. This is supported by other evidence, for example the relatively low level of sow slaughtering so far this year and the small change in production of compound sow feed. While the 2015 figure is little changed from 2014, it is lower than in earlier years. The breeding herd is thought to have been largely stable for a number of years, barring a decline in 2012-13 as a result of high feed prices. This suggests an artificial shift in the level recorded by the survey compared with earlier years, from around 425,000 head up to 2013 to around 405-410,000 head since 2014.

On the assumption that the breeding herd is, indeed, broadly stable (regardless of the true level), sow productivity remains the main driver of clean pig slaughterings. Allowing for the shift in the breeding herd figures, it appears that the upward trend in productivity is continuing at a similar rate to that observed in recent years. In the absence of any major disease outbreaks, there is little reason to think that this rate of improvement can't be sustained. Higher productivity in

other countries demonstrates that there is room for improvement and investment in genetics, training and research continues.

As a result, clean pig slaughterings are likely to rise again next year, albeit possibly at a slightly slower rate than in 2015. Overall, slaughterings are forecast to rise by between 2% and 3% in 2016, lower than the 4% growth in 2015 but otherwise the fastest growth since 2011 and in line with the long-term growth rate recorded over the last decade.



In late 2014 and early 2015, carcass weights were well above year earlier levels, meaning that pig meat production growth was running ahead of slaughtering. This was partly due to low feed prices encouraging producers to add some extra weight. However, there were also reports that, with supply running ahead of demand at times, pigs were being rolled by processors. In recent months, though, weights have been close to last year's levels, albeit rising seasonally of late. This trend is expected to continue into next year, unless there is a change in price levels, either for pigs or for feed.

In late 2014 and early 2015, low cull sow prices meant that sow slaughterings were relatively low. However, in recent months, throughputs have picked up even though prices remain subdued. This could be an indication that some producers are reacting to low finished pig prices by reducing their herds. However, it is perhaps more likely to be just a return to more normal replacement rates, given a slightly older breeding herd. This is supported by the June survey, which showed a 3% year-on-year rise in maiden gilt numbers.

Assuming that producer margins don't worsen markedly, it seems likely that sow slaughterings will remain at 'normal' levels. That means they may be higher than over the last year but not reaching the inflated levels recorded in 2012, when producer margins were negative as a result of high production costs.

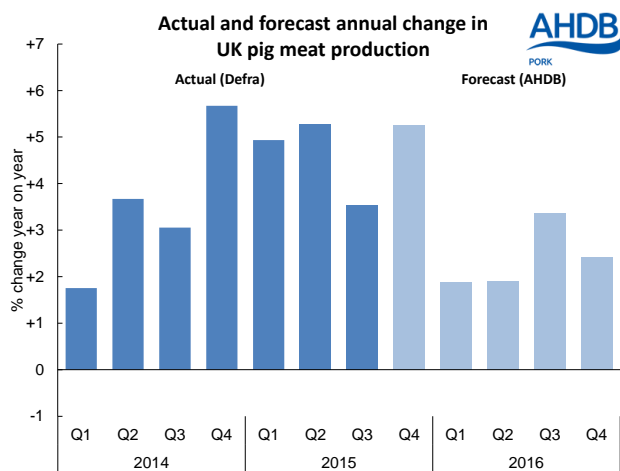
Outlook for UK Pig Meat Supplies – October 2015

Actual and forecast UK pig slaughtering

	Clean pigs			Sows and boars		
	2014	2015	2016	2014	2015	2016
000 head	2014	2015	2016	2014	2015	2016
Quarter 1	2,502	2,585	2,651	64	61	63
Quarter 2	2,463	2,572	2,625	62	61	62
Quarter 3	2,566	2,652	2,733	59	62	62
Quarter 4	2,696	2,843	2,898	58	60	61
Year	10,227	10,652	10,907	243	243	249

Source: Defra, AHDB. Figures in bold are forecasts

With no great change in either carcass weights or sow slaughtering, pig meat production growth is forecast to be broadly in line with slaughtering. This means that increases will be slightly slower than was the case in 2015, when weights were rising too. Output is therefore forecast to be between 2% and 3% higher than in 2016.

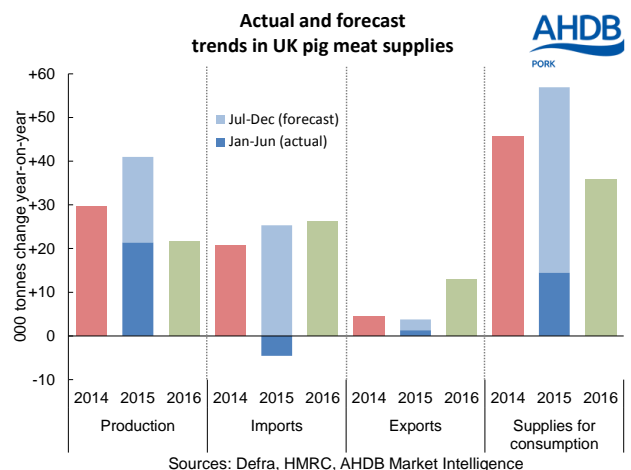


With extra supplies of British pig meat on the market, prices will inevitably remain under pressure unless demand picks up. At the moment, there is relatively little sign of that happening, with retail pig meat sales remaining subdued and fresh pork's share falling. This suggests that the increased supplies are being absorbed by the lower-value foodservice and manufacturing sectors. Certainly sales of ready meals are up, as is the frequency with which people are eating out.

Of course, the overall level of pig meat supplies on the domestic market also depends on how much is being

imported and exported. So far this year, there has been a modest increase in imports, thanks to growth in recent months. Although it's not yet clear whether this trend will continue, it seems probable that imports will grow steadily in the second half of 2015, having been slightly lower in the first. With EU prices set to remain low, imports may rise again next year, although slightly tighter EU supplies may limit growth to some extent.

The strength of the pound against the euro has limited UK exports this year, so only minimal growth is anticipated for 2015 as a whole. Developments next year will depend, in part, on how the exchange rate moves. Assuming the euro doesn't weaken too much further, more growth should be possible, particularly if the UK gains access to export trotters to China. The global trading environment is likely to be tough next year, however, so growth will probably still be modest.



Balancing all these factors out, supplies available for consumption on the domestic market are forecast to be higher again in 2016, albeit with slower growth than has been seen in 2015. This will keep prices under pressure, with the direction they take depending, as always, on how demand responds. So far, lower prices don't seem to have translated into increased demand for pig meat. However, as the economy continues to improve, it is possible that retail pork sales will pick up and lend some support to pig prices.

Actual and forecast supplies of pig meat in the UK

000 tonnes (cwe)	2014					2015					2016	
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Year	
Production	212	207	215	229	863	223	218	222	241	904	925	
Imports	228	237	235	249	948	233	227	249	260	969	995	
(Fresh/frozen)	(95)	(100)	(97)	(104)	(396)	(98)	(96)	(106)	(110)	(410)	(415)	
(Bacon)	(72)	(73)	(76)	(79)	(300)	(72)	(70)	(76)	(80)	(297)	(300)	
(Processed)	(60)	(64)	(62)	(65)	(252)	(64)	(61)	(67)	(70)	(262)	(280)	
Exports	56	56	61	60	233	58	55	61	63	237	250	
Available for consumption	384	388	388	417	1,577	397	390	410	438	1,635	1,670	

Source: Defra, AHDB. Figures in bold are forecasts