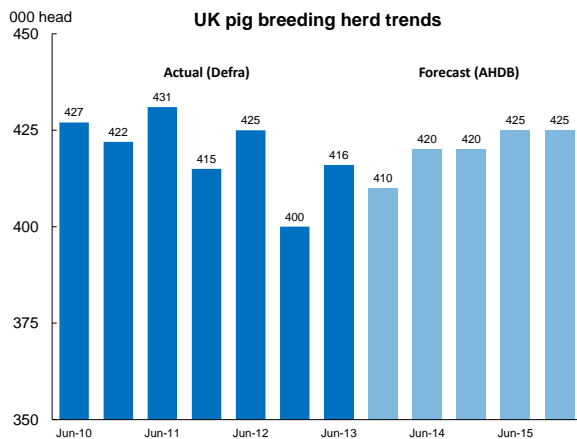


Outlook for UK Pig Meat Supplies – October 2013

Latest data from the June Agricultural Survey show that the UK pig breeding herd was slightly smaller than a year before. Overall, the number of pigs for breeding was one per cent lower on the year. However, there was a slightly sharper fall in the current female breeding herd, which was down two per cent at 416,000 head. This does mark some recovery from the low point of 400,000 head recorded in December. However, in recent years there has been an increasing gap between the results of the June and December surveys, which can't be readily explained and may be a statistical anomaly. Therefore, the true position may be one of stability or, at most, modest growth.

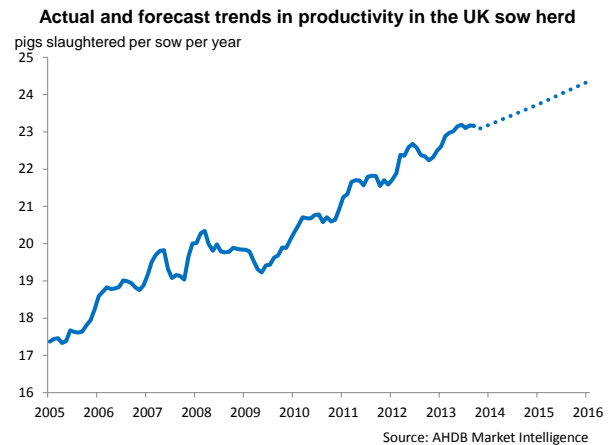
The number of in-pig sows and gilts was down by as much as four per cent year on year, indicating that the number of piglets farrowed over the summer may have been lower than last year, despite productivity gains. The number of maiden gilts was higher, however, although this is in line with the recent trend and is probably more down to increased sow replacement rather than any improvement in confidence.



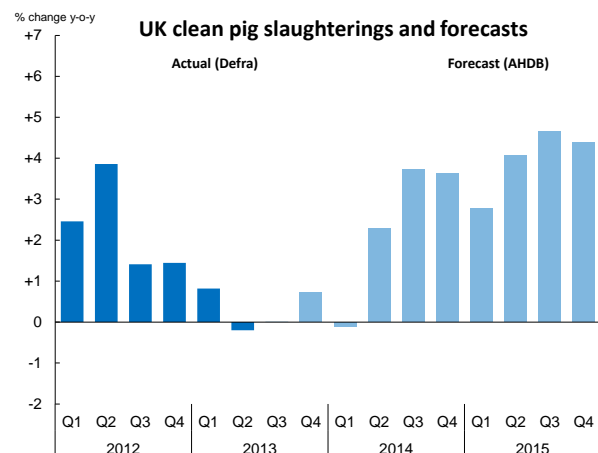
Since June, the financial position of pig producers has improved with a steady rise in pig prices while costs have fallen. The generally better Northern Hemisphere harvest this year has reduced global prices for cereals, which make up the main component of pig feed; feed accounts for over 60 per cent of the cost of pig production. Nevertheless, this follows a period where producers have been losing money for a sustained period, so confidence will be slow to return. Therefore, it is unlikely that there will be any significant expansion of the breeding herd in the immediate future. As a result, the herd is likely to remain broadly stable with at best a slow recovery of the ground lost last year.

With a broadly stable breeding herd, increases in clean pig slaughterings in recent years have been down to improved sow productivity. A number of factors have contributed to

this, including improved health, genetics and stockmanship. This trend has continued so far in 2013, with the number of pigs slaughtered per sow equivalent to around 23.0 per year, compared with 22.3 in 2012 and 21.7 in 2011. Productivity has improved at a fairly consistent rate over the last decade or so, except for brief downturns due to herd health issues. With an ongoing focus on improving productivity, the upward trend should continue in future years, reaching around 24.5 pigs per sow by the end of 2015.



The decline in the breeding herd during 2012 has had a knock-on effect on the number of pigs coming to slaughter in 2013. During the first nine months of the year, throughputs were only 15,000 head higher than a year earlier. The impact is likely to continue through the remainder of this year and the first quarter of 2014, with any increase in slaughterings during this period expected to be marginal. From the spring onwards, productivity gains are likely to reassert themselves as the main driver of the number of pigs being finished. This should lead to growth in slaughterings of between three and four per cent in the second half of 2014 and about two per cent for the year as a whole.



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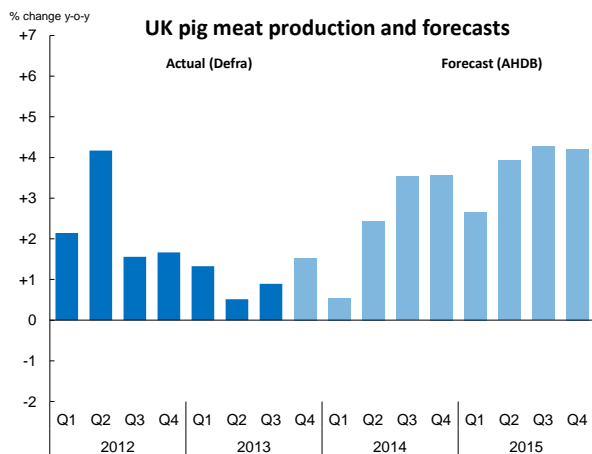
High feed prices in the second half of 2012 led to increased levels of culling of breeding pigs but since the start of 2013 throughputs have returned to more normal levels. Numbers have been slightly higher than in the years before 2012, as producers' sow replacement rates continue to rise. This trend is likely to be maintained for the rest of 2013 and 2014, assuming cull prices (and feed prices) don't change markedly.

Actual and forecast UK pig slaughtering

000 head	Clean pigs			Sows and boars		
	2012	2013	2014	2012	2013	2014
Quarter 1	2,480	2,500	2,497	66	66	67
Quarter 2	2,427	2,422	2,478	62	64	64
Quarter 3	2,525	2,525	2,619	71	62	64
Quarter 4	2,603	2,622	2,716	66	65	65
Year	10,035	10,069	10,311	265	257	260

Source: Defra, AHDB. Figures in bold are forecasts

Carcase weights so far in 2013 have been consistently higher than a year earlier. This is partly because processors have been looking for heavier pigs to offset limited pig numbers. During the second half of 2012, carcass weights were also lower due to the high feed prices, with producers marketing pigs earlier than normal. With supplies still tight, weights are likely to remain high through the rest of 2013 and early 2014. With numbers then set to increase somewhat, the upward pressure on weights may ease but, unless feed prices rise significantly, weights may remain close to this year's levels.



Actual and forecast supplies of pig meat in the UK

000 tonnes (cwe)	2012					2013					2014	
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Year	
Production	206	198	206	214	825	209	199	208	217	834	855	
Imports	227	232	235	248	942	215	223	230	235	903	907	
(Fresh/frozen)	(91)	(96)	(98)	(102)	(387)	(89)	(98)	(94)	(98)	(379)	(381)	
(Bacon)	(77)	(71)	(75)	(79)	(302)	(70)	(66)	(70)	(72)	(278)	(274)	
(Processed)	(60)	(65)	(62)	(67)	(254)	(56)	(59)	(66)	(65)	(245)	(252)	
Exports	51	45	53	53	203	55	53	59	57	224	239	
Available for consumption	382	385	388	410	1,564	369	369	379	395	1,513	1,523	

Source: Defra, AHDB. Figures in bold are forecasts

The increase in carcass weights has ensured that pig meat production in 2013 has remained above last year's level, despite the stable slaughtering. Looking further ahead, the higher slaughtering anticipated during 2014 mean that production is likely to rise further, topping 850,000 tonnes for the first time since 2000.

In the first eight months of 2013, the UK has imported around four per cent less pig meat than in the same period last year. The horse meat revelations earlier in the year have increased retailers' preference for British pork. As a result, the price-driven drop in the amount of pig meat being purchased by consumers has mostly hit imported product. With demand for British pigs still strong and supplies elsewhere in the EU remaining tight, subdued imports are expected to continue for the rest of the year. Some easing of supplies on the continent as 2014 progresses may lead to a modest rise in imports. However, volumes are not likely to increase dramatically unless the gap between UK and EU prices grows significantly.

UK exports of pig meat have been strong so far in 2013, buoyed by demand from China. Tight supplies elsewhere in the EU have also created opportunities for exporters while the relatively weak pound has made UK pork more price competitive. Growth may slow somewhat in the remainder of the year, given that the Chinese market was already open by the second half of 2012. Nevertheless, exports for the year as a whole are still forecast to increase. Further growth is likely next year given higher production and the possible opening of more markets for a wider range of products.

The balance of production, imports and exports has led to a significant fall in supplies available for consumption on the UK market during 2013, supporting prices. This tightness is unlikely to change during the rest of the year. However, with higher production next year, the supply situation may ease slightly as 2014 progresses. Nevertheless, the market is set to remain tighter than in previous years, suggesting that prices may stay firm, at least in the early part of the year.

