

UK pig meat outlook

July 2021



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Summary

- UK pig meat production growth expected to be slower in the second half of 2021
- Exports remain challenging, with Chinese demand slowing and some friction supplying the EU
- Higher production and lower exports boosts domestic supply availability and should restrain import levels
- Demand remains strong, but volumes increasingly moving through foodservice rather than retail, which may be less beneficial for British producers

Key 2021 Stats



Production 1,039,000 tonnes



Imports 832,000 tonnes



Exports 262,000 tonnes



Consumption 1,609,000 tonnes

Contents

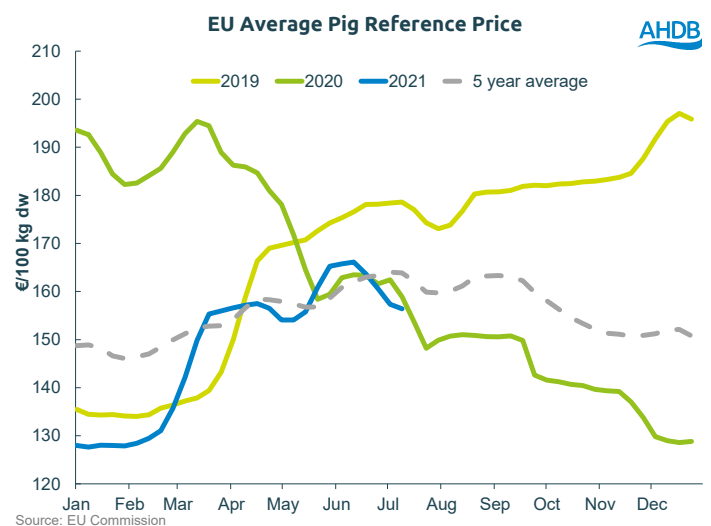
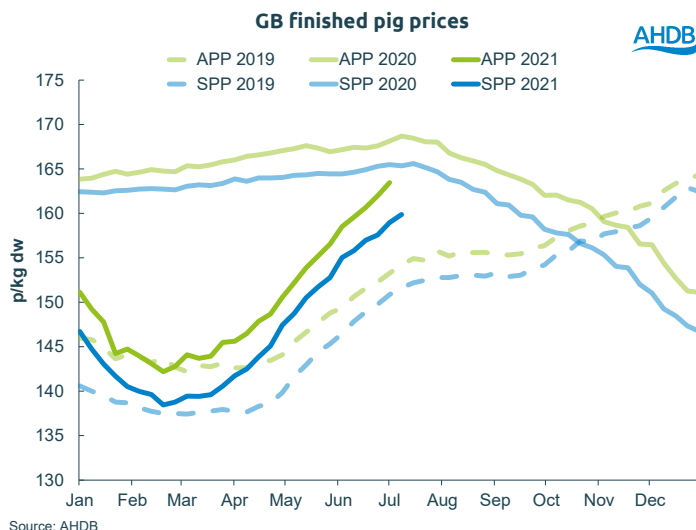
• Quarterly market update	2
• Pig meat production forecast	5
• Pig meat trade forecast	7
• Price outlook	8
• Summary table	8

Quarterly market update

Prices

GB

GB finished pig prices have been increasing in recent months. The EU-spec SPP reached 159.88p/kg by mid-July, up over 21p from the low point in February. Domestic demand has remained solid, with retail sales still above pre-COVID levels, which is favourable for British product. High production costs may also be having some influence on price levels, although average margins have still been negative so far this year.



EU

EU pig prices have been volatile since the spring. Most recently, prices have been on a downward trend since late June, and had fallen to around €156/100kg in mid-July. Recent commentary indicates that export demand has weakened and domestic demand has not increased as much as was hoped with relaxing of COVID-related restrictions. As the EU is a net exporter of pork, the market will be particularly sensitive to developments with Chinese import demand, and recently the outlook for this has been more pessimistic. As EU prices have dropped while the UK is still increasing, the gap between farmgate prices has opened up again, to about 27p. In historic terms, this is a large price premium and may suggest UK prices could also feel some downward pressure soon.

Production

Slaughter

Clean pig slaughter in the first half of the year totalled 5.67 million head*, 7% higher than the same period last year. The growth has been somewhat stronger than we anticipated in our previous forecast. There is some uncertainty around the reported slaughter figures in June (further explained here), however, we have assumed the overall trend for the year so far is broadly representative. There was a greater degree of uncertainty than usual around our previous forecast, as COVID-19 limited processing capacity in late 2020, leading pigs to be rolled into the start of this year. Recent anecdotal reports also suggest a relatively trouble-free period for herd performance, which would also support slaughter pig availability.

Adult pig slaughter in the year to June was 6% higher than year earlier levels, at 125,400* head. Sow turnover was lower than expected last year, with some logistical problems related to COVID-19 limiting throughput. For this reason, we would expect slaughter to be higher this year, as producers catch-up with culling older animals. There are reports of producers exiting at the moment due to poor profitability, which could also support culling levels.

Carcase weights

Carcase weights in 2021 have been some of the highest on record. In the first half of the year, weights averaged 88.4kg and were over 90kg in January and February. Early in the year weights were more than 3kg above 2020 levels, but the difference has now dwindled to less than 500g.

In the early part of the year, high weights were influenced by delays to slaughter that meant pigs were on farm longer than usual. However, carcase weights also do typically increase year-on-year, reflecting genetic improvements and contractual changes that have facilitated this.

The heavier carcase weights have accentuated the increase in slaughter. Production was 9% higher than year earlier levels between January and June, totalling 519,800 tonnes*.

Trade

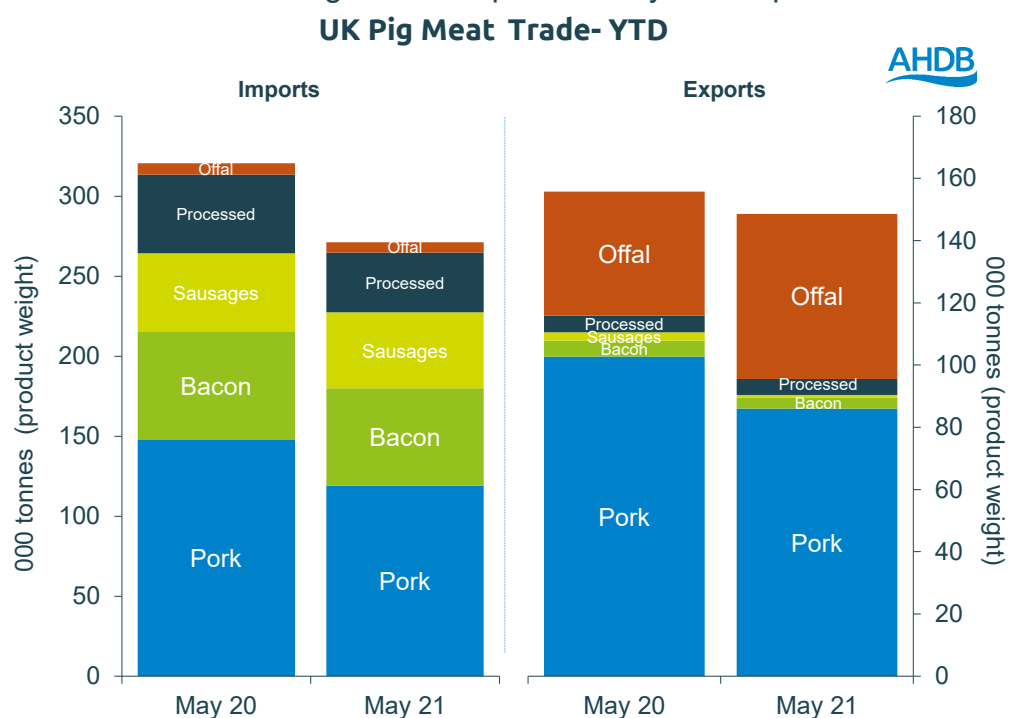
Imports

According to HMRC data, the UK imported 271,000 tonnes** of pig meat (including offal) between January and May. This was about 15% less than during the same period last year. All products recorded a decline, but fresh/frozen pork showed the largest drop. A lack of foodservice demand due to COVID-19 restrictions will have influenced this trend. Our departure from the EU likely also deterred imports, particularly early in the year, due to additional logistics costs and prior uncertainty over what checks and controls would be in place.

Exports

UK exports of fresh/frozen pork decreased (-16%) on the year across January-May, totalling 86,000 tonnes**. The decline comes as shipments to the EU have been negatively affected due to logistical difficulties and extra costs associated with our departure from the union. There has also been a drop in shipments to China, influenced by market access difficulties.

Exports of processed products also struggled, and overall pig meat exports (excluding offal) were down by 18% overall at 95,500 tonnes**.



In contrast, offal shipments have actually increased strongly on the year, totalling 53,000 tonnes, a third higher than last year. Higher shipments to China and the Philippines in particular influenced this.

GB Retail sales

In the 24 weeks to 14 June 2021, total pig meat retail volumes were up by 1% on a year earlier, according to Kantar figures. Growth has slowed as we are now comparing back to a period including the start of the coronavirus pandemic in 2020. Nonetheless, volumes are still elevated compared to “normal” levels. Of course, foodservice volumes are significantly reduced as this market has continued to face restrictions, but our estimates suggest this decline has been largely compensated for by growth in takeaways. So, overall, we estimate that total pig meat volumes sold in the first half of 2021 were about 1% higher than in 2020.

**Figures converted to statistical months*

*** Product weight. Does not include below threshold trade (small shipments)*

UK pig meat production forecast

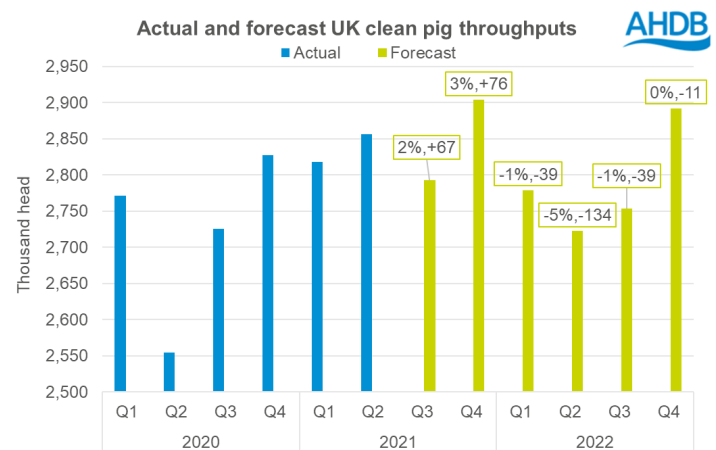
Slaughter

Clean pig slaughter is expected to remain above 2020 levels for the latter part of the year, although growth should slow compared to the first half which was influenced by a backlog of pigs from 2020. Overall, slaughter is forecast to reach 11.4 million head, nearly 5% higher than last year. Slaughter numbers should be lower in 2022, influenced by a declining breeding herd. We also assume we will not experience difficulties with processing capacity at the end of this year again, meaning we don't see significant numbers of pigs from Q4 being rolled into the early part of 2022. However, we are now hearing reports of staffing challenges that are not just COVID-19 related, which is concerning.

Actual and forecast UK pig slaughter

000 head	Clean pigs			Sows and boars		
	2020	2021	2022	2020	2021	2022
Q1	2771	2818	2779	61	62	64
Q2	2554	2856	2722	57	64	60
Q3	2725	2792	2753	62	64	61
Q4	2828	2904	2892	61	63	62
Year	10878	11370	11147	241	252	247

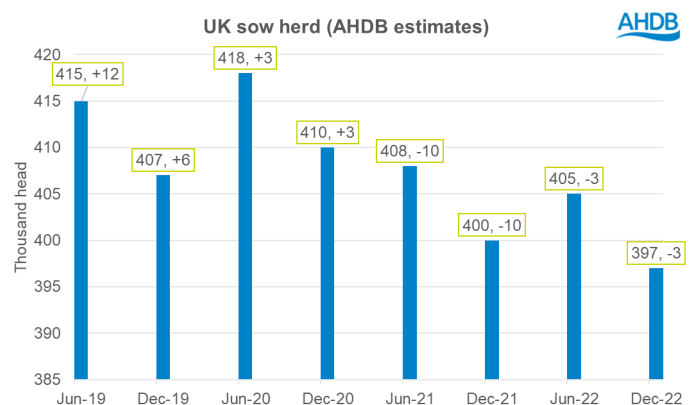
Source: Defra, AHDB. Figures in bold are forecasts. Figures have been converted to statistical months.



Source: Defra, AHDB forecasts

Breeding herd

Up to the end of 2020, we believe herd expansion was underway, which supports slaughter numbers up to the middle of this year. However, poor profitability in 2021 has likely led to some herd contraction this year. Anecdotal reports suggest this was already underway in the first half of the year, and more producers are intending to exit in the coming months. At this time, we estimate a 2% contraction in sow numbers this year followed by a smaller contraction in 2022. Of course, how profitability pans out in the rest of the year will be key for these developments.



Source: AHDB estimate

Sow productivity

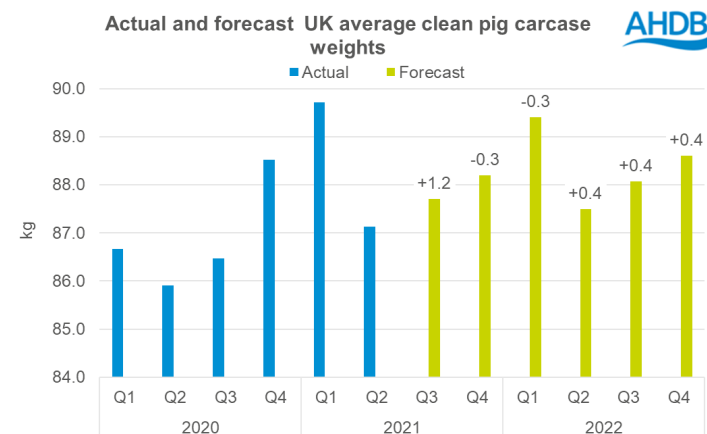
As the timing of slaughter has been disrupted over the past year due to the effects of COVID-19, it has been more difficult than usual to infer herd performance from this data. Agrosoft figures indicate only small improvements over the past couple of years. Most recently, anecdotal reports suggest we have experienced a relatively trouble-free period, which has perhaps been a factor supporting slaughter levels. This forecast assumes a continuing slow upward trend of about 1% more pigs sold per sow per year going forward. There are risks around whether this improvement will be realised, as disease levels are difficult to anticipate. The zinc oxide ban from mid-2022 may mean there is a particular risk of lower productivity around the latter part of the outlook period.

Sow slaughter

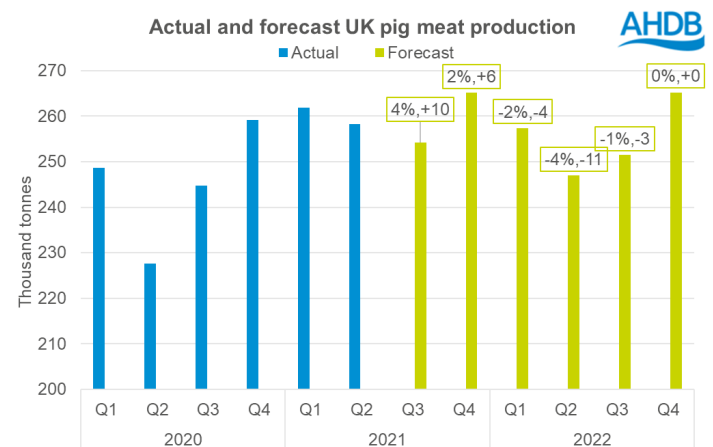
Sow slaughter was lower than expected in 2020 and early 2021, with disruption related to both COVID-19 and our departure from the EU limiting throughput. For the rest of this year, we are expecting culling levels to be higher than last year as producers catch-up with culling older animals. Poor profitability may also lead to higher culling as producers exit. Levels are likely to drop back somewhat in 2022 as the age profile of the herd will be lower following the higher culling rate this year. Overall, sow slaughter is forecast at 254,000 head this year, over 5% higher than in 2020.

Carcase weights

Carcase weights were well above previous years in late 2020 and early 2021. The general trend is for increasing carcase weights, influenced by improving genetic potential and contracts that allow higher weights. In general, we would expect a modest upward trend to continue. However, the significant growth seen last winter was influenced by delays to slaughter due to COVID-19 related disruption. So, assuming we do not see disruption like this again this year, we would not expect carcase weights to reach the highs seen last winter again this time.



Source: Defra, AHDB estimates



Source: Defra, AHDB forecasts

Production

Higher slaughter levels for both clean pigs and culls, as well as a general rise in carcase weights, means pig meat production is forecast to increase by 6% this year, reaching 1.04 million tonnes. However, in 2022 volumes are expected to be about 2% lower, at 1.02 million tonnes.

UK pig meat trade forecast

This forecast assumes a gradual return to normality as we recover from the effects of COVID restrictions. Nonetheless, we do not expect out-of-home consumption to return to pre-COVID levels either in the latter part of 2021 or 2022 due to closures and a more difficult economic backdrop. A more detailed summary of expected consumption trends [can be found here](#).

Imports

Import levels have been lower so far this year. This has been influenced by disruption following our departure from the EU customs union, as well as weaker demand for imported product as the foodservice market continued to face restrictions. With lower exports and increased domestic production, our import requirements have also reduced.

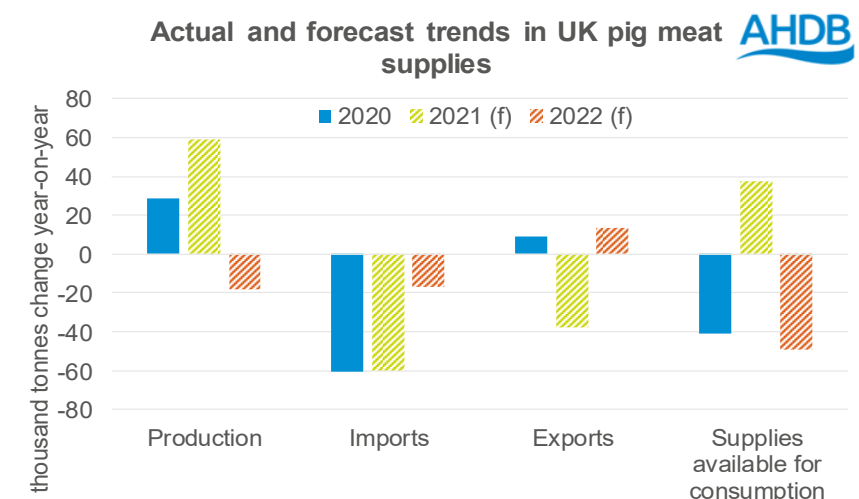
Foodservice is expected to pick up in the latter half of the year, at the expense of retail sales. This will likely offer some support to imported product over domestically produced pork. However, ongoing lower exports and higher production ought to keep a cap on import requirements. Logistical disruption related to Brexit has also been easing, although there are risks this may pick up again from October and particularly in early 2022 as changes to our border operating model for imports are phased in.

Altogether, we expect import volumes to be more similar to year earlier levels in the second half of 2021. This means UK pig meat imports in 2021 are expected to be about 7% lower than in 2020, at 832,000 tonnes carcase weight equivalent.

Exports

Logistical challenges supplying the EU have eased somewhat since the start of the year, through some disruption remains. Going forward, we would expect continued improvement in this area, though there is certainly the risk that some of the lost trade does not recover as it is no longer economically viable.

Exports to China have also been challenged by access difficulties in recent months. On top of this, the Chinese pig herd now appears to be recovering from African Swine Fever, and so it is expected that their import requirements will start to ease back. Anecdotal reports already suggest that lucrative opportunities on this market are starting to fall. Opportunities are increasing in the Philippines, but this will not be sufficient to make up for the shortfall.



Source: Defra, HMRC, AHDB

So, while pig meat exports across July-December (excluding offal) are expected to be higher than in the first half of the year, volumes are expected to remain below 2020 levels. For 2021 overall, shipments are forecast to be 13% lower than last year, at 262,000 tonnes carcase weight equivalent.

Price Outlook

Pig prices have been on an upward trend in recent months, and are relatively high in historic terms, although profitability remains challenging due to high input costs. It may be difficult for prices to sustain this upward momentum in the second half of the year. Over the past year, British pork has benefitted from increased sales, particularly through retail rather than foodservice. However, foodservice is expected to see some recovery in the latter part of the year, at the expense of retail sales. This may increase opportunities for competition with imported product.

At the same time, export demand remains challenged by expected declines in Chinese import demand, and some ongoing difficulties supplying the EU. It is always difficult to anticipate how China's recovery from ASF will pan out, but it does seem likely the peak of this demand has now passed. Recovering global pork supplies may be challenging for the UK and EU, which had been key suppliers, and may not find as lucrative alternative markets for this product.

Total demand for pork in Britain has been strong recently, and it looks set to remain that way for the rest of 2021. This is of course a key positive for the British pork industry. Nonetheless, it remains to be seen whether this demand will be sufficient, or through the channels most supportive of domestic product, to enable strong British pork prices over the coming months.

Summary table



Actual and forecast supplies of UK pig meat (Thousand tonnes CWE)

	2020					2021					2022
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Year
Production	249	228	245	259	980	262	258	254	265	1,039	1,021
Imports	229	211	213	239	892	179	202	209	242	832	815
Fresh/frozen	115	100	102	122	439	84	99	100	125	408	392
Bacon	55	44	47	53	198	45	46	48	53	193	185
Processed	59	67	64	65	255	51	56	61	63	231	238
Exports	70	73	79	78	300	55	63	72	72	262	276
Available for consumption	407	366	378	421	1,572	386	397	391	435	1,609	1,560

Source: Defra, IHS Maritime and Trade-Global Trade Atlas®, HMRC, local customs data, AHDB estimates

Figures in bold are forecasts. Production figures have been converted into statistical months.

Due to a change in reporting methods, Q1 2021 imports are currently an estimate.

Inputs overview

More information on trends within input markets can be found in the Farm Inputs Overview, which discusses feed markets, labour costs, straw prices and the weather.