

# UK pig meat outlook



January 2021

AHDB Market Intelligence — [redmeat.mi@ahdb.org.uk](mailto:redmeat.mi@ahdb.org.uk)



## Summary

- Rise in UK pig meat production expected in 2021
- Backlog of market ready pigs expected to be worked through in Q2
- Exports expected to drop back, due to lower Chinese import demand and disruption following departure from EU
- Imports expected to fall due to lower demand and large domestic supplies
- **Higher level of uncertainty than usual**, particularly over slaughter in first half of year
- This forecast uses a demand scenario where the year is divided into two halves for COVID-19 recovery

## Key 2021 Stats

	2021 Forecast	Annual change
	000 tonnes	%
Production	1024	↑ +4%
Imports	814	↓ -7%
Exports	270	↓ -7%
Available for consumption	1568	→ +0%

## Contents

- [Quarterly market update](#) ..... 2
- [Pig meat production forecast](#) ..... 5
- [Pig meat trade forecast](#) ..... 8
- [Price outlook](#)..... 9
- [Summary table](#) ..... 9

© Agriculture and Horticulture Development Board 2021. All rights reserved. AHDB Pork is part of the Agriculture and Horticulture Development Board (AHDB). While the Agriculture and Horticulture Development Board seeks to ensure that the information contained within this document is accurate at the time of publication, no warranty is given in respect thereof and, to the maximum extent permitted by law, the Agriculture and Horticulture Development Board accepts no liability for loss, damage or injury howsoever caused (including that caused by negligence) or suffered directly or indirectly in relation to information and opinions contained in or omitted from this document

# Quarterly market update

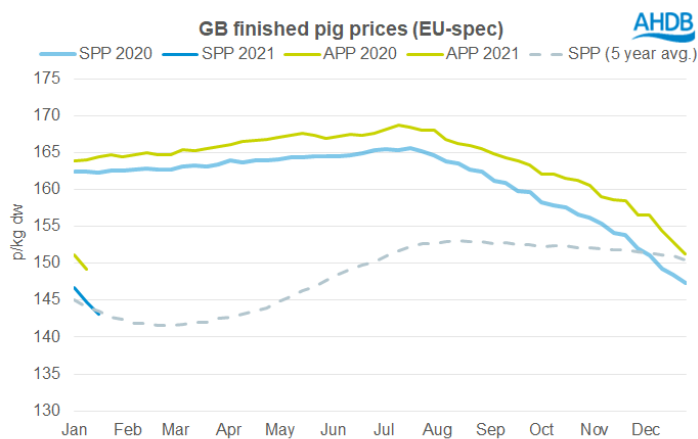
## Prices

### GB

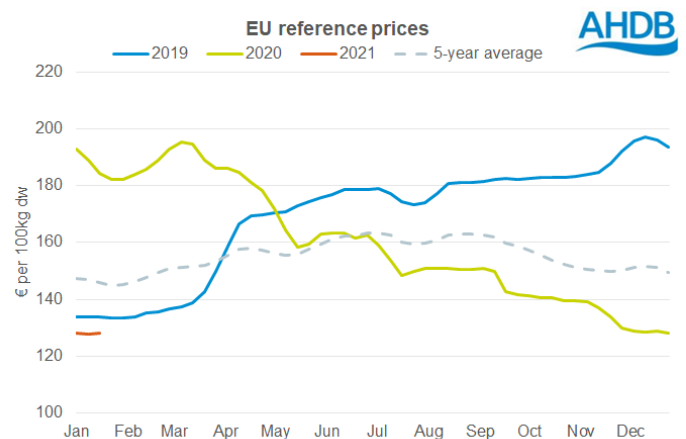
GB finished prices have been on a downwards trend since the end of July 2020. The EU-spec SPP has fallen by over 22p since this point, averaging at 143.05p/kg in the week ending 16 January. Prices had been on an upwards trend for almost 15 consecutive months, supported by strong demand from China due to African Swine Fever (ASF) cutting its domestic herd. However, there are now a number of factors contributing to price decline. Coronavirus-related challenges, particularly foodservice closures, put significant pressure on European markets and subsequently the British market.

COVID-19 outbreaks in abattoirs across Europe also reduced access to the Chinese market. This was compounded by the confirmation of ASF within Germany's wild boar population in September, resulting in their pig meat exports being banned by many export destinations, including China. This has all meant more product remains on the European market.

Finally, processors in the final quarter of last year faced a number of challenges, including staffing issues due to COVID-19 and plant breakdowns. As such, there is a large number of slaughter ready pigs backed up in the system. Large domestic supplies relative to available capacity is also likely contributing to downwards price pressure.



Source: AHDB



Source: EU Commission

### EU

European pig prices had been on a downwards trajectory since March 2020, although have shown some stability since the new-year. In the week ending 19 January, prices averaged €127.95/100kg, nearly €67 less than in mid-March in the previous year. The disruption to foodservice demand throughout the year led to issues with oversupply. The confirmation of ASF in Germany in September and the subsequent ban on exports to many destinations only compounded issues. Furthermore, the continent has also had challenges processing pigs which has contributed further pressure to European markets.

## Production

### Slaughter

In 2020, clean pig slaughter totalled 10.88 million head<sup>1</sup>, 0.8% more than in the previous year, which was lower than we previously forecast. However, we had not anticipated the challenges faced by processors in the final quarter of the year and the resultant backlog. As such, a number of pigs we had forecast to be slaughtered in the final quarter of 2020 will now instead be slaughtered in the first half of 2021.

We believe that the sow herd increased slightly in 2020. Higher breeding feed production between January and November 2020 also points towards larger sow numbers. Sow productivity in 2020 overall was reported as good. Data from Agrosoft indicated a slight drop in the third quarter of the year, although anecdotal reports suggest that Q4 was excellent.

Adult pig slaughter in 2020 reached 241,000 head<sup>1</sup>, almost 1% less than in the previous year. We had anticipated that slaughter was going to be elevated last year, due to an older average age of the herd. However, anecdotal reports suggest that challenges in the sow market, particularly in the second half of the year, resulted in producers holding onto sows. We therefore expect there may also be a backlog of cull sows on farms, and so we expect to see a higher level of culling, particularly in the first half of the year.

1- Figures have been converted into statistical months.

### Carcase weights

Carcase weights were significantly heavier throughout 2020, ranging from 0.9-3.6kg heavier than the previous year. Overall, weights averaged 86.9kg, over 2kg heavier than in 2019 and the highest since records began.

While carcase weights typically increase from year to year, reflecting genetic improvements, the growth seen in 2020 is well above expected levels of annual growth. While some processors raised the upper weight limits on some contracts, the mounting issue with the backlog in the final quarter of the year also contributed to the heavier weights.

These heavier carcase weights accounted for the majority of the increase in production. Production totalled 980,000 tonnes<sup>1</sup> in 2020, 3% more than in the previous year.

## Trade

### Imports

Between January and November 2020, the UK imported just under 753,000 tonnes of pig meat (including offal)<sup>2</sup>. This was 11% less than the same period in the previous year, the equivalent to 92,800 tonnes. Imports of fresh and frozen pork recorded the most significant decline (-16%), while the performance of other products was more mixed. COVID-19 severely disrupted foodservice demand last year. According to data from Kantar, pork volumes at foodservice were just 46% of 2019 levels, which has likely particularly affected import demand.

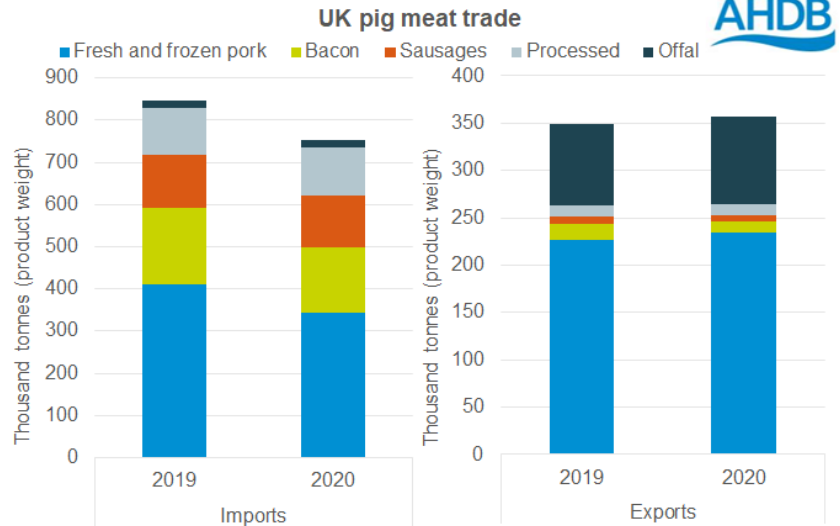
## Exports

During the same period, UK exports of fresh and frozen pork increased by 3% (7,500 tonnes) compared to 2019, totalling 234,300 tonnes<sup>2</sup>. Strong demand from the Chinese market following the nation’s challenges with ASF continued to drive the majority of the growth, with shipments up 34% (40,900 tonnes) on the year, totalling 160,200 tonnes.

Offal exports also recorded a rise in volumes between January and November, totalling 92,700 tonnes, up 7% (6,200 tonnes) on the previous year. China once again supported this growth, however volumes also increased to Belgium and France.

Exports of processed pig meat products also increased compared to the same period in the previous year. In contrast, exports of bacon and sausages fell by 29% and 19% respectively. This meant that there was only marginal growth in the volume of pig meat exports in total.

### 2- Product weight

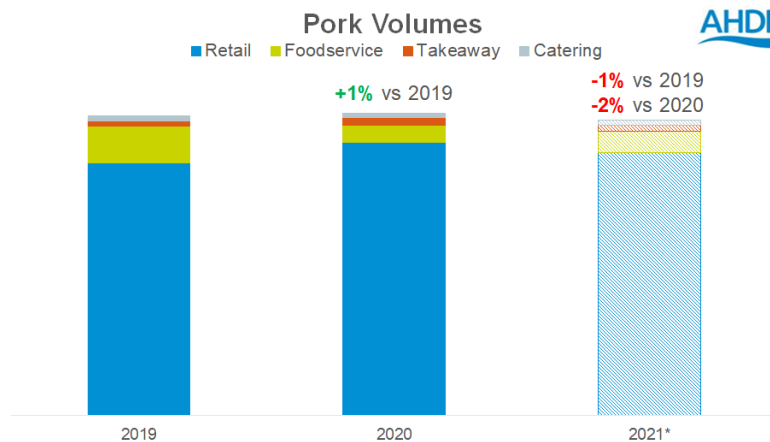


Source: IHS Maritime and Trade - Global Trade Atlas®, HMRC

## GB Retail sales

Pigmeat has proved to be a go to in-home meal option during the COVID-19 pandemic. It has seen significant volume growth every month since March 2020 and overall in the last 52 weeks volumes have grown +8.3% (Kantar, 52 w/e 27<sup>th</sup> Dec 2020). This is an additional 79,000 tonnes of pigment sold in 2020, with three quarters of this coming from processed products.

According to Kantar Usage, sausages and bacon have benefitted from more in-home hot breakfast/lunch occasions, while sliced cooked meats have grown at a slower pace due to the loss of take-out lunches. Primary pork also saw growth for all cuts due to its affordability compared to other proteins – a significant factor for money-conscious shoppers. Fastest growing cuts include belly, diced and ribs, as consumers experiment through scratch cooking.



\*AHDB estimate for 2021  
Source: AHDB



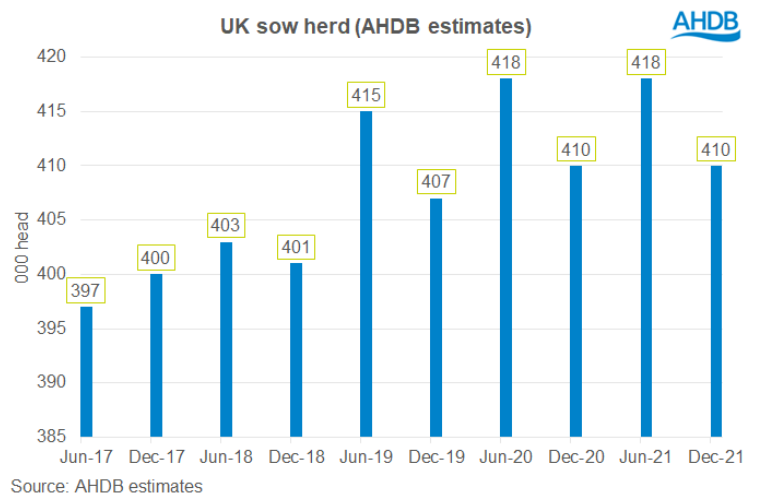
This growth in retail is welcomed due to the closure of eating-out establishments where full English breakfasts, sausage/ bacon sandwiches and sausage rolls are the top pigmeat dishes. During 2020, we estimate the eating-out market for pigmeat saw volume declines of -54%. However, we predict the strong growth in retail, coupled with an increase in takeaway and delivery, has outweighed these losses, netting out at volumes being +1% at the end of 2020.

# UK pig meat production forecast

## Breeding herd

We believe that there was a small increase in the size of the breeding herd in 2020. Anecdotal reports generally support this, as does a 2% increase in GB breeding feed production between January and November.

Reports suggest that there is little appetite to expand in 2021 at present, due to the uncertainty in the market. Poorer profitability due to higher input costs and lower finishing prices discourages expansion. As such, we expect that the breeding herd will remain relatively stable this year. There is the potential to decline in 2022 if market conditions remain unfavourable.



## Sow productivity

Agrosoft data suggests that pigs sold per sow per year stalled in Q3, which could align with reports of disease pressures early in 2020. However, these challenges seem to have eased as the year progressed. Anecdotal reports suggest the number of pigs available to come forward in the final quarter of the year was strong, reflecting very good herd performance. However, delays to slaughter in the final quarter of 2020 make it challenging to monitor changes in physical performance on farms. This may continue to be the case in early 2021.

Going forward into 2021, we have assumed that herd performance follows a typical upwards trend. Ongoing genetic improvements means there is certainly the potential for further productivity gains, but whether this is realised remains a risk to the forecast.

There is also some recent uncertainty over the outlook for breeding herd performance. Anecdotal reports suggest some producers have continued to breed from older sows as there has been limited culling capacity. This is inherently associated with poorer breeding performance. It remains to be seen how widespread the practice is, but this could potentially dampen slaughter pig availability towards the end of 2021.

## Sow slaughter

Sow slaughter was lower than anticipated in 2020. We had expected to see culling rates increase due to the herd being slightly older, particularly as 2019 was a relatively low year for culling. However, the cull sow market faced a number of challenges throughout the year, including the closure a large German pig processing plant, which affected available outlets, as well as domestic slaughter being disrupted due to COVID-19.

We expect there is also a backlog of cull sows on farms, which may push culling rates higher in the first half of 2021. We then expect that culling rates could ease off in the second half of the year due to a younger average age of the herd. Nevertheless, the UK's trading relationship with the EU remains pivotal for this market. Achieving high kill levels will be contingent on current logistical challenges being overcome. It remains to be seen whether this has wider implications on demand for sow meat from the continent.



## Clean pig slaughter

We expect that clean pig slaughter in 2021 will be higher than in 2020, driven by a slightly larger breeding herd as well the backlog of pigs from late 2020. Throughput is expected to reach 11.2 million head, about 3% above year-earlier levels.

There is more uncertainty than usual surrounding slaughter levels in the first half of 2021. It remains to be seen how slaughter capacity will function in the coming weeks, with the coronavirus pandemic ongoing. There is also the uncertainty surrounding the number of pigs currently backed up on farms due to limited slaughter levels late last year. This is difficult to estimate at present given the data available; we are currently exploring ways to monitor this more accurately.

In this forecast, we have put a particularly sharp rise in slaughter for Q2 2021, compared to 2020. This is to account for the backlog. We expect the majority the backlog to be addressed in Q2 when the number of pigs coming forward is seasonally lower. Note that in Q2 2020 slaughter was low, as processors pulled pigs forward into Q1 to avoid potential issues at the start of the pandemic. The large annual increase in Q2 2021 is also partly because it is being compared to an abnormally low period of slaughter.

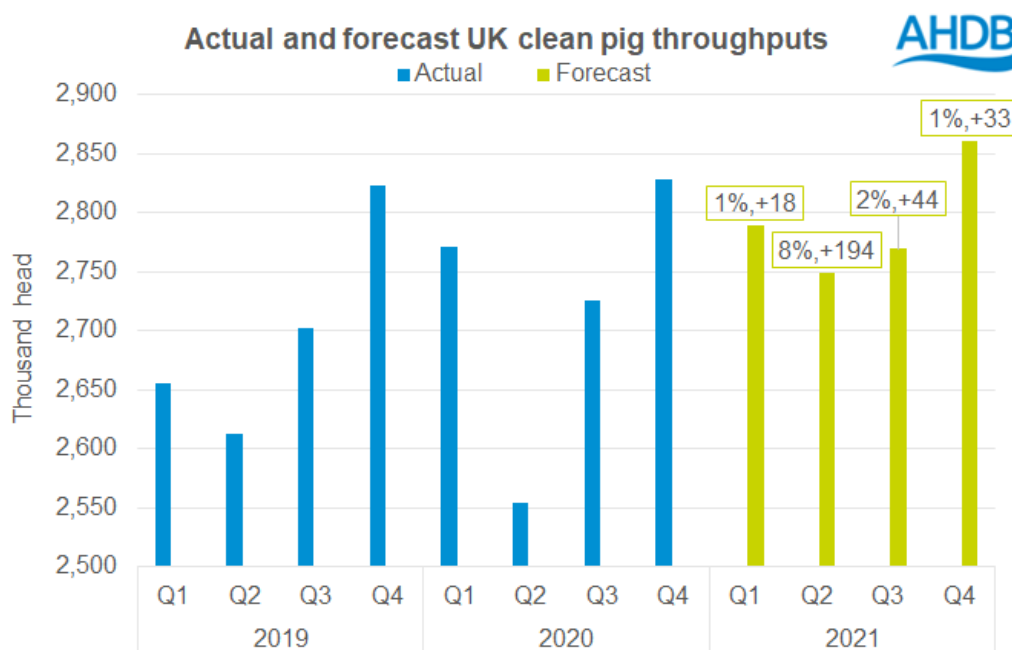


Actual and forecast UK pig slaughter (Thousand head)

	Clean pigs			Sows and boars		
	2019	2020	2021	2019	2020	2021
Q1	2,656	2,771	<b>2,789</b>	65	61	<b>68</b>
Q2	2,612	2,554	<b>2,749</b>	58	57	<b>65</b>
Q3	2,702	2,725	<b>2,770</b>	57	62	<b>64</b>
Q4	2,823	2,828	<b>2,861</b>	63	61	<b>63</b>
Annual total	10,794	10,878	<b>11,168</b>	243	241	<b>260</b>
% change	+1.3%	+0.8%	<b>+2.7%</b>	-5.9%	-0.9%	<b>+7.9%</b>

Source: Defra, AHDB

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



Source: Defra, AHDB forecasts

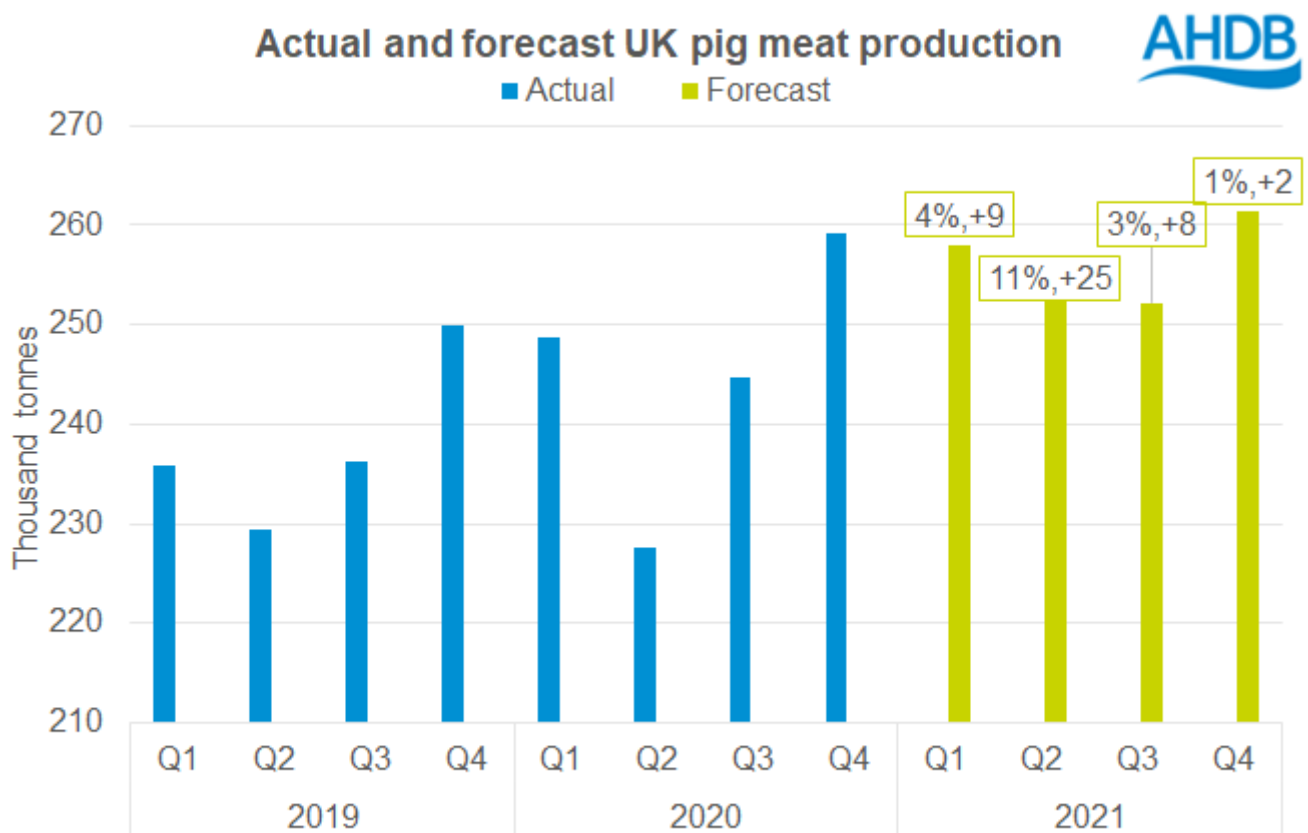
## Carcase weights

Carcase weights have increased sharply in the last few years, with 2020 recording the highest weights on record. We largely expect this to continue into 2021. In the first half of the year, we expect significant growth in weights, reflecting the ongoing challenges with the backlog of pigs. In Q3, we expect to see more 'normal' growth. In the final quarter of the year, we may see a decline compared to 2020, reflecting the abnormally high weights seen last year.

In general, ongoing genetic improvements are supportive of higher carcass weights. Currently, reports indicate a number of contracts have raised upper weight limits again; if these continue, this also supports rising average weights.

## Production

Rising slaughter and higher carcass weights mean UK pig meat production is estimated to reach 1.02 million tonnes in 2021. If realised, this will be 4% higher than in the previous year and the first time production surpasses the 1 million tonne mark since 1999.



Source: Defra, AHDB forecasts

## UK pig meat trade forecast

This [forecast uses a demand scenario](#) in which the year is broadly in two halves. In the first half of the year, a full lockdown until mid-February has been assumed, followed by a partial easing of restrictions. In the latter half of the year, it has been assumed that restrictions have eased to allow the eating-out market to re-open albeit with social distancing measures in place.

There have been some reports of disruption to trade following the UK's departure from the EU. We understand that this has mainly affected export flows, with imports relatively unaffected so far. We have therefore assumed some level of disruption to exports in the first half of the year. As changes to import protocols are being phased in, we have assumed this disruption does not significantly affect trade flows in any particular quarter.

### Exports

It has been widely reported that China has been active in re-establishing its domestic pig herd following the ASF epidemic. As a result of this, Chinese demand for pork is expected to decline in 2021, with the USDA forecasting a decline of 10%. Nevertheless, the forecast is high relative to historical levels, so there is still a degree of optimism for this market.

Just over half of all UK pig meat exports are sent to the EU. With the EU market facing its own challenges with backlogs and export bans, this market is positioned to be well supplied in 2021. British prices are typically higher than those in the EU, which has been further compounded by additional costs associated with leaving the customs union. As such, this could make the EU market more challenging this year, especially early on. This will be a particular watchpoint for cull sow carcasses.

We expect UK pig meat exports (excluding offal) to fall by around 7% this year. However, this will be highly dependent on the extent and duration of disruption associated with leaving the EU.

### Imports

We expect import levels to decline again this year. Overall consumption of pork is expected to be 2% lower than in 2020. Anticipated growth in the eating-out market is not expected to be enough to fully compensate for lower volumes in the retail sector. The combination of increased domestic supplies and lower exports would also contribute to lower demand for imported product.

However, with the potential of a well-supplied European market, there could be some pressure from cheaper EU pork. In 2020, our estimates suggest consumption of pig meat increased a little compared to the year before. However, the sharp drop in imports indicates that supplies available on the market were actually lower. This suggests stocks would have been drawn down in order to supply the market. If this is indeed the case, there may be some desire to replenish stocks with low-priced EU pork while it is available.

Nonetheless, if we assume supply availability remains somewhat constrained by poorer demand, we anticipate UK pig meat imports in 2021 will be about 8% lower in 2020, at 810,000 tonnes carcass weight equivalent.



## Price outlook

Prices have been on a downwards trend since July of last year. The current market outlook suggests a number of factors could continue to pressure prices. We expect that supplies are going to be particularly large during the first half of the year, due to the backlog and heavier carcass weights. This, in combination with export disruption to EU, will likely continue to constrain prices.

On the continent, there is also the expectation of a well-supplied market, particularly in the first half of the year. Therefore, there could also be some pressure from cheaper EU pork. The near complete ban on German exports to third countries, including China, due to the identification of ASF, remains a key factor in the supply balance.

Nonetheless, within our demand scenario, we expect that volumes in the retail sector will continue to be elevated in the first half of the year while stricter lockdown measures are in place. As such, this could help mitigate some of the pressure on prices.

## Summary table



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

	2019	2020				Year	2021				2022	2023	
	Year	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	Year	Year	Year
Production	951	249	228	245	259	980	<b>258</b>	<b>252</b>	<b>252</b>	<b>261</b>	<b>1,024</b>	<b>1,023</b>	<b>1,042</b>
Imports	946	226	211	218	<b>218</b>	<b>874</b>	<b>214</b>	<b>199</b>	<b>196</b>	<b>204</b>	<b>814</b>	<b>800</b>	<b>781</b>
Fresh/frozen*	468	113	100	107	<b>106</b>	<b>426</b>	<b>102</b>	<b>92</b>	<b>91</b>	<b>90</b>	<b>375</b>	<b>371</b>	<b>364</b>
Bacon	226	55	44	47	<b>49</b>	<b>194</b>	<b>50</b>	<b>42</b>	<b>45</b>	<b>47</b>	<b>183</b>	<b>176</b>	<b>167</b>
Processed	252	59	67	64	<b>64</b>	<b>254</b>	<b>62</b>	<b>66</b>	<b>60</b>	<b>67</b>	<b>255</b>	<b>253</b>	<b>250</b>
Exports	291	70	73	78	<b>68</b>	<b>290</b>	<b>63</b>	<b>67</b>	<b>74</b>	<b>65</b>	<b>270</b>	<b>275</b>	<b>283</b>
<b>Available for consumption</b>	<b>1,607</b>	<b>405</b>	<b>366</b>	<b>384</b>	<b>409</b>	<b>1,564</b>	<b>409</b>	<b>385</b>	<b>374</b>	<b>400</b>	<b>1,568</b>	<b>1,548</b>	<b>1,540</b>

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.

\*Fresh/ frozen imports estimated, on export figures for 8 largest UK pork suppliers

## 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.