

UK pig meat outlook

November 2019



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Summary

- Rising in UK pig meat production expected in 2020
- Import levels may pick up a little after large decline this year, but remain low in historic terms
- Further export growth expected, considering the rise in Chinese import demand
- Pig prices expected to be elevated on the back of this

Key 2020 Stats



Production 966,000 tonnes



Imports 1,002,000 tonnes



Exports 308,000 tonnes



Consumption 1,660,000 tonnes

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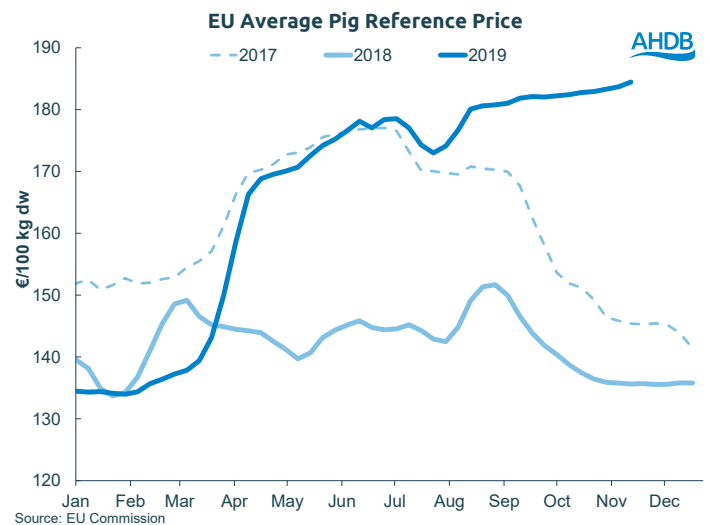
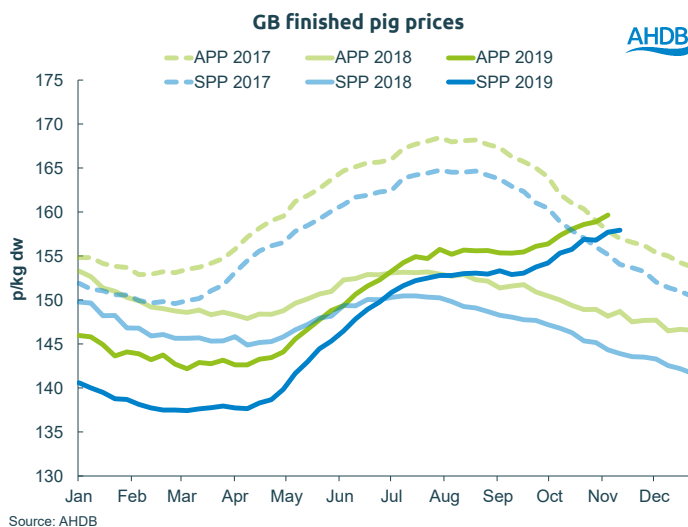
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Quarterly market update

Prices

GB

GB finished pig prices rose in quarter three, with the EU-spec SPP averaging 152.99p/kg. This was 8.53p higher than the previous quarter. Price rises were more subdued than during the second quarter, with growth also slowing on the continent. Growth has recovered more recently and by week ended 23 November, the SPP stood at 158.61p/kg, over 15p above year earlier levels. Increasing access to China, alongside escalating prices in this market, have supported price growth. However, price increases remain slow at farmgate level, due to the limited influence of spot markets on pig prices. Reports suggest it has also been challenging for processors to achieve higher prices on the domestic market, where most British pork is traded.



EU

EU pig prices increased to average €178.63/100kg in quarter three. Chinese demand remained a dominant market driver, though tightening production has also helped keep prices elevated. Prices have been on a steady upward trend since mid-August and averaged €187.62/100kg in week ended 24 November. Although the gap has been narrowing, average EU prices have now been above UK prices for a record 33 weeks.

Production

Slaughter

Clean pig slaughter during the third quarter of 2019 totalled 2.70 million head*, 1% higher than the same period last year. This follows from better herd performance early in the year, influenced by less extreme weather conditions.

Adult pig slaughter in quarter three was much lower than year earlier levels, at 57,000 head*. Sow turnover was fairly high last year, suggesting a lower age profile for the herd this year. Optimism around rising pig prices and improving profitability have probably also encouraged producers to retain sows where possible.

Carcase weights

Carcase weights in 2019 have been some of the highest on record. The average dressed carcase weight in quarter three was 84.4kg, nearly 2kg heavier than the same time last year. Carcase weights typically increase year-on-year, reflecting genetic improvements, but the growth this year has been particularly noticeable. There has been encouragement to take outdoor-bred pigs to the same finished weight as standard pigs. Some abattoirs have also raised the upper weight limit for boars.

The heavier carcase weights accentuated the increase in slaughter, So, production was nearly 3% higher than year earlier levels in quarter three. This meant production totalled 236,300 tonnes

Trade

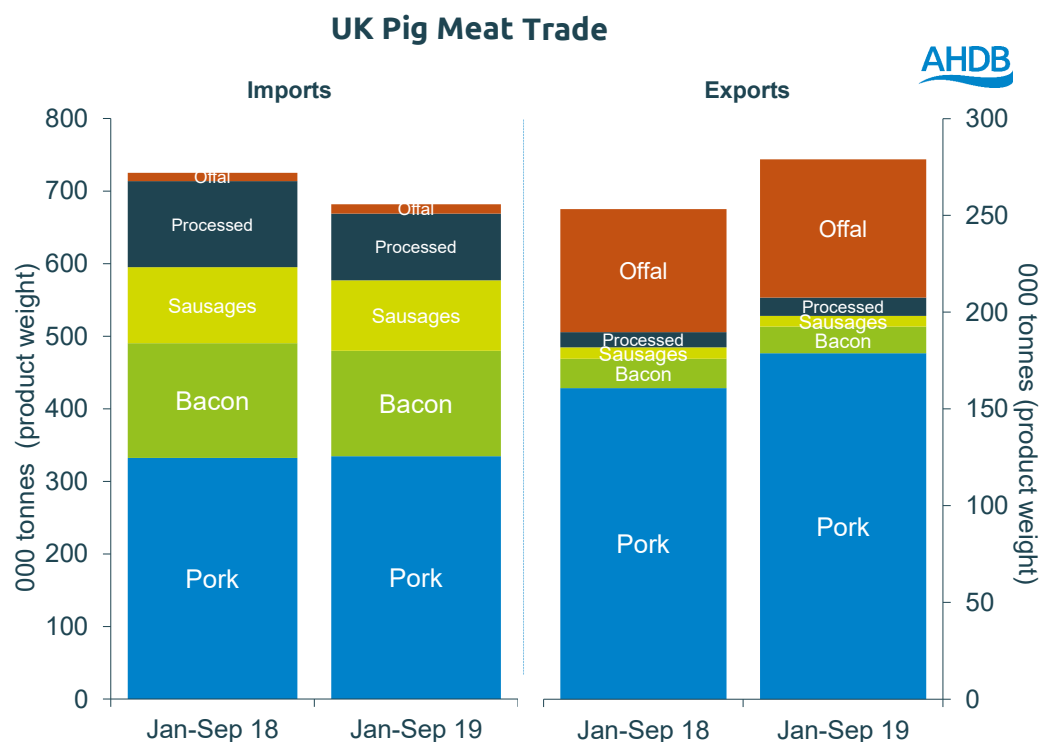
Imports

According to HMRC data, the UK imported 219,000 tonnes** of pig meat (including offal) between July and September. This was 28,000 tonnes less than in the same period last year. Most products recorded a decline, though the drop in ham imports was particularly noticeable. The decline reflects the reduced competitiveness of imported product due to high EU pig prices. Declining consumer demand for pork, particularly processed products, has probably also played a role. This is especially relevant considering the strong demand from China, which has reduced product availability. Trim, used in manufacturing, has been particularly affected as products sent to China are generally minimally processed.

Exports

UK exports of fresh/frozen pork increased significantly (+14%) on the year across July-September, totalling 62,000 tonnes**. This was almost entirely driven by Chinese demand as African Swine Fever generates a significant supply shortage. UK shipments to China doubled on last year during the period. Exports of processed products fared less well, but pig meat exports were up 10% overall at 71,000 tonnes**.

Offal shipments increased less significantly, totalling 23,000 tonnes, a 4% increase on the year. China is the largest market for UK offal exports, and deliveries were up by 13% to total 12,000 tonnes.



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

GB Retail sales

Total pig meat*** sales declined almost 4% in volume and 2% in value in the 12 weeks ended 6 October. Rising prices at wholesale and farmgate level are perhaps starting to influence retail prices, with lower volumes on promotion this year.

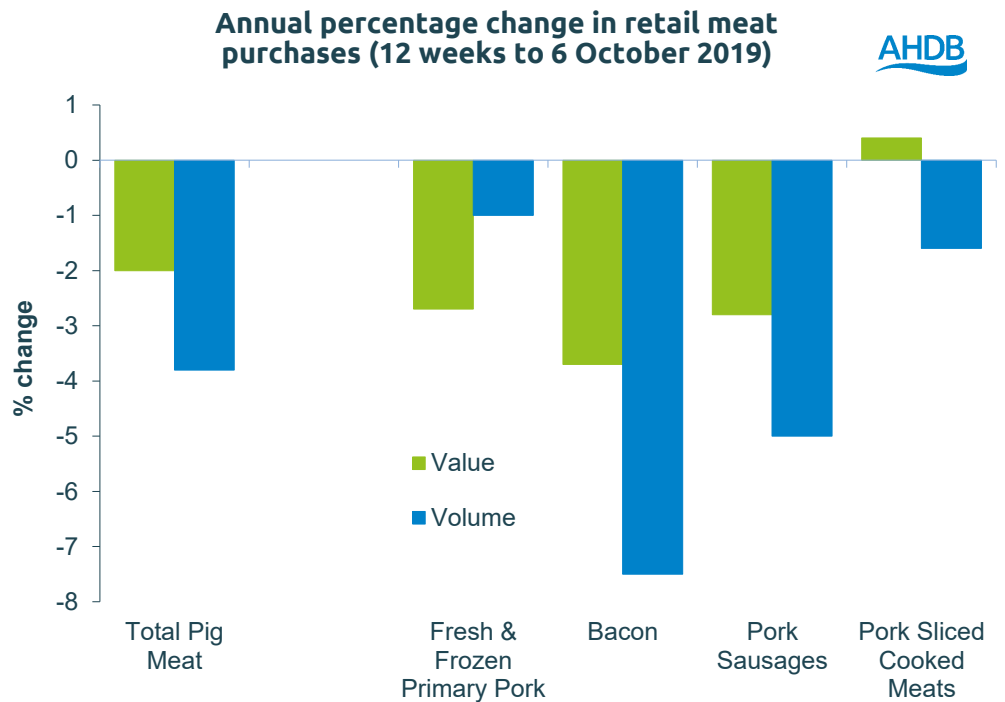
Declining sales throughout 2019 have been particularly driven by bacon, with volumes down 8% in volume. Negative health messaging around bacon consumption seems to be affecting older consumers, who are key drivers of bacon purchases. Fresh and frozen pork sales recorded a less severe 1% fall in volume, though unlike for bacon average prices are still below year earlier levels.

The uninspiring sales performance of pig meat highlights the divergence between the domestic and export markets at present.

*Figures converted to statistical months

** Product weight

***encompasses primary, bacon, sausages, sliced cooked meats, chilled main meal accompaniments, ready to cook, pulled pork, pork ribs and burgers and grills



UK pig meat production forecast

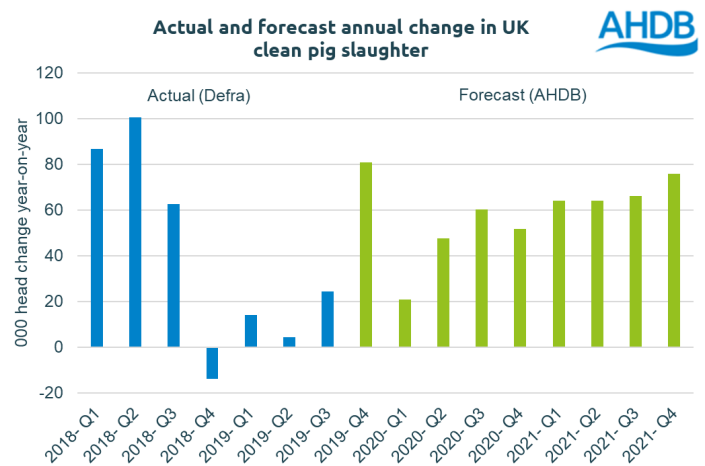
Slaughter

Clean pig slaughter is set to rise in 2020. Throughput is expected to reach 11.0 million head, about 2% above year earlier levels. Growth will be biased towards the end of the year and is likely to continue into 2021.

Actual and forecast UK pig slaughter

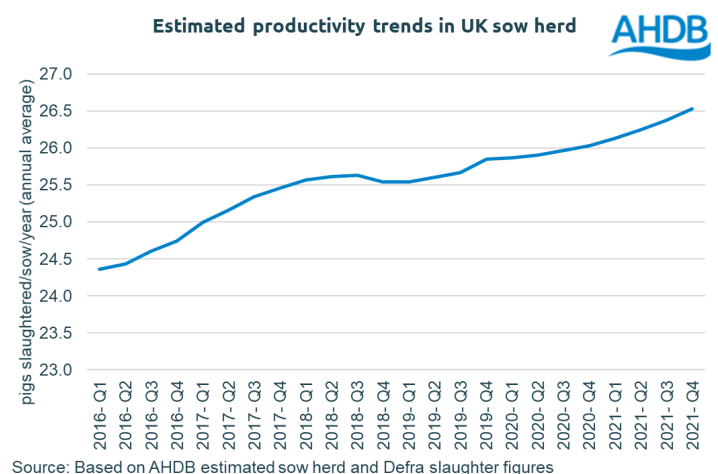
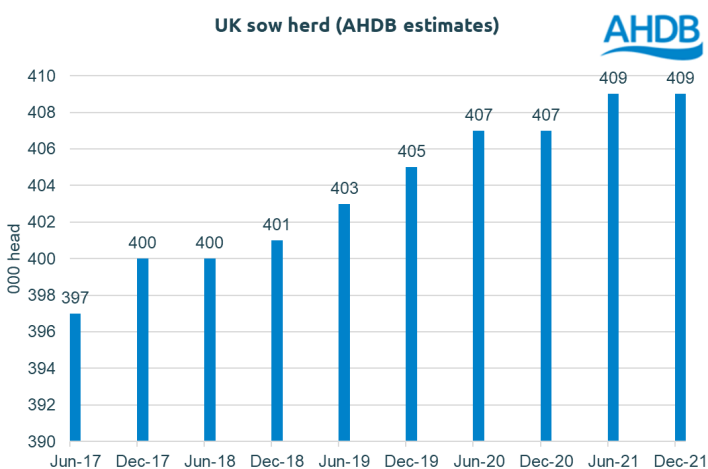
000 head	Clean pigs			Sows and boars		
	2018	2019	2020	2018	2019	2020
Q1	2642	2656	2677	65	65	64
Q2	2608	2612	2660	65	58	63
Q3	2678	2702	2762	65	57	62
Q4	2729	2810	2862	63	58	62
Year	10656	10780	10961	258	238	251

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



Breeding herd

We believe the breeding herd has increased a little in 2019, primarily driven by growth from the integrated outdoor sector in Scotland. This is supported by anecdotal industry comments. The improving financial position of producers may also increasingly encourage some expansion from the wider independent sector. Production of breeding feed has been noticeably higher this season (+8% year-on-year between July and September), also suggesting there are more sows on the ground.



Source: Based on AHDB estimated sow herd and Defra slaughter figures

Sow productivity

Despite an improvement early in the year, reports suggest that herd performance flat-lined over the summer, with some disease-related difficulties. In this forecast, we have assumed that this limits slaughter growth in the early part of 2020. Afterwards, we assume productivity returns to a typical improving trend. It is always difficult to quantify challenges with herd performance at a national level, which leaves some uncertainty around pig supply levels in the next few months in particular.

Sow slaughter

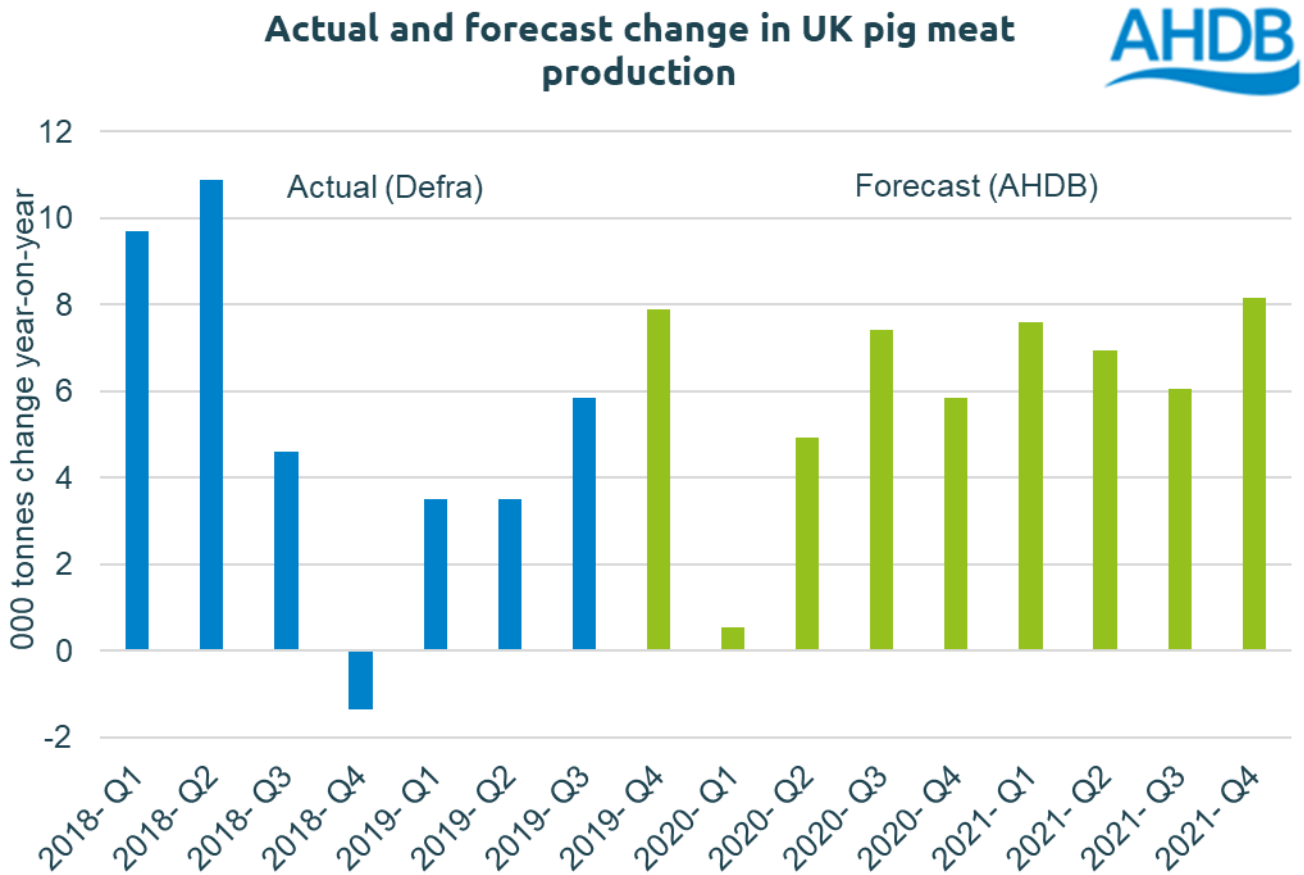
Sow slaughter was relatively low in 2019, following a low high rate in 2018. Assuming we now have a slightly older herd, slaughter is forecast to be higher next year. However, improving profitability, if continued, may well counteract this to some extent.

Carcase weights

Carcase weights increased sharply in 2019, and some further growth is anticipated in 2020. However, early in 2020 weights may well be a little below year earlier levels. Demand is expected to be better than usual in the post-Christmas period, due to a positive export market. This could lead to pigs being sent a little earlier than at this time in 2019.

Production

Combining a rise in carcase weights with growth in slaughter levels means UK pig meat production is set to increase by about 2% next year, reaching 966,100 tonnes.



UK pig meat trade forecast

The trade forecast assumes that tariff-free access to the EU is maintained.

Imports

Imports of pig meat have declined noticeably in 2019, influenced by the unusually poor competitiveness of imported product. More of the limited EU pig meat supply has also been directed to China, where demand has been very strong, unlike in the UK.

While Chinese demand will continue to draw European pig meat in 2020, imports into the UK may still recover a little next year. It is unusual for EU pork prices to be above UK levels, and in recent weeks the gap has been closing. If the UK price premium returns, the lower prices will probably drive some import recovery. Nonetheless, volumes are expected to remain low by historic standards, due to the limited global pork supply and challenging domestic demand environment. We currently anticipate UK pig meat imports in 2020 will be about 5% higher than this year overall.

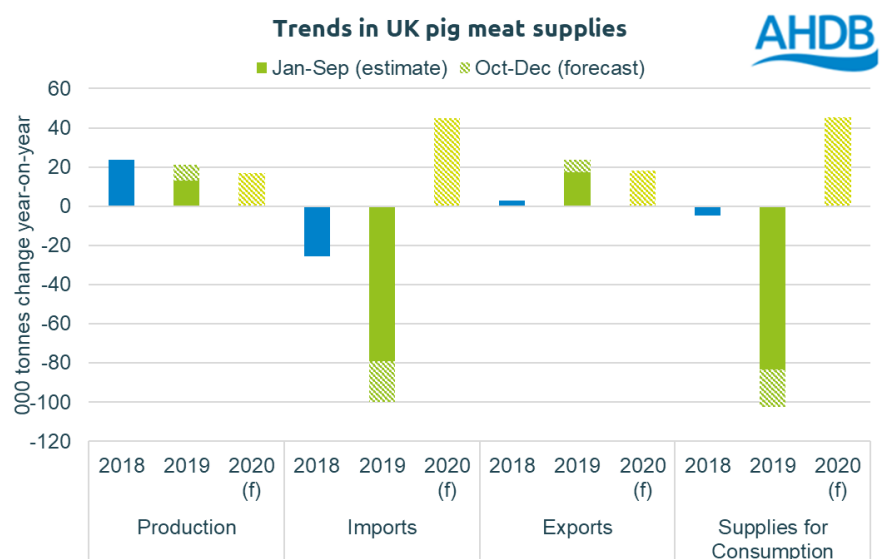
Exports

Chinese pork supplies are expected to decline further in 2020, further creating opportunities for exporters. The UK pig sector has gained increasing access to China in 2019, supporting export growth. The pound also remains relatively weak, which helps UK export prospects.

The extent to which exports can grow will depend on how supply is balanced between the domestic and export markets. Even if Chinese prices are attractive enough to increasingly compete with the domestic market, redirecting too much product to China risks damaging long-term UK demand. This may limit the extent of export growth. Volumes could still grow by a further 6% next year though, to a new high of 308,000 tonnes.

In summary...

With some growth in production, and a little recovery in import levels, pig meat supply availability may also recover a little next year. However, supplies for consumption will remain low by historic levels. This should mean pig prices remain supported at farmgate level. Demand within the UK could challenge this price outlook though, with recent consumer trends pointing towards a declining trend. Passing higher prices at farmgate and wholesale level onto consumers may prove difficult to do without further weakening demand. This may ultimately limit the price outlook.



Summary table

Actual and forecast supplies of pig meat in the UK

000 tonnes (cwe)	2018					2019					2020
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Year
Production	232	226	230	238	927	236	229	236	246	947	966
Imports	240	275	268	274	1057	253	224	227	253	957	1002
(Fresh/frozen)*	114	135	126	134	508	126	108	121	130	486	500
(Bacon)	56	65	64	67	252	60	53	57	63	233	240
(Processed)	70	76	78	73	298	67	63	49	60	238	262
Exports	68	61	67	70	266	68	72	74	76	290	308
Available for consumption	404	440	431	442	1717	421	381	390	423	1615	1660

*Fresh/frozen imports estimated, based on export figures for 7 largest UK pork suppliers

Source: Defra, IHS Maritime & Trade– Global Trade Atlas®, HMRC, local customs data. Production figures are in statistical months.

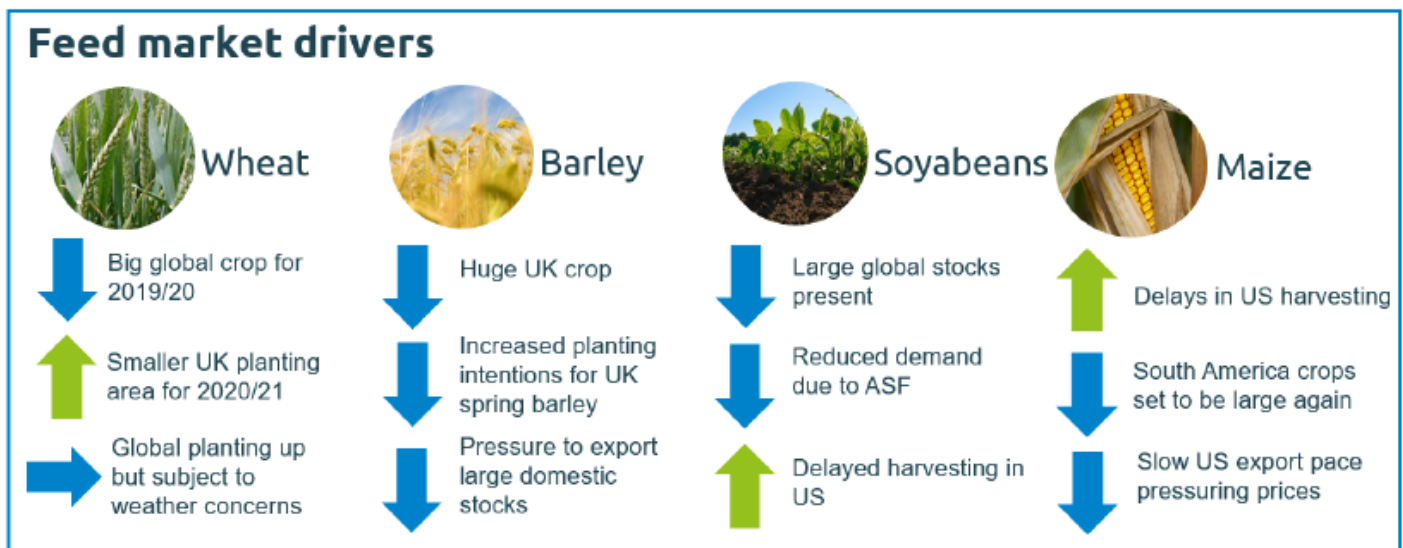
Figures in bold are forecasts

Input costs

Cost of production overview

The average cost of GB pig production totalled 147p/kg in the third quarter of 2019. For the first time in a year, this was lower than average pig prices during the quarter. The EU-spec APP averaged 155p/kg during the same period, so on a full cost basis, producers were making about 9p/kg. Pig prices have since risen further, so margins have probably improved again. Of course, developments in herd performance and feed prices will also play a role in profitability.

Feed Market



More information on the feed outlook can be found in the [Farm Inputs Overview](#), which also discusses **labour costs**, **straw prices** and the **weather**.