

An Analysis of Pork and Pork Products Imported into the United Kingdom

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AN ANALYSIS OF IMPORTED PORK AND PORK PRODUCTS INTO THE UNITED KINGDOM

I. Executive Summary

- Imports of pork and pork products reached 858,000 tonnes (product weight) in 2005, an increase of 35% since 2001. This meant that 61% of all pork and pork products eaten in the UK last year was imported.
- Fresh and frozen pork imports have increased by 77% over the last 5 years and now represent almost half of all imports.
- The main supply countries are Denmark and the Netherlands. Other suppliers included France, Germany, the Irish Republic, Spain, Belgium and Poland.
- An estimated 68% of all pork and pork products eaten in the UK was sold through retail outlets. Within this sector supermarkets are dominant, selling 76% of pork, 81% of bacon and 86% of other processed products.
- Imported pork is being sold increasingly through retail outlets and mostly at discounted prices. For example in late 2005/early 2006 imported pork chops and leg roasting joints averaged 20-23% less than the equivalent home produced product.
- Imported bacon is also being used for deep cut price promotions selling, on average, at 6% to 30% below the equivalent UK product.
- An increasing amount of pork and pork products is being sold under 'tertiary' brands. Most of the major retailers have declared specifications for own brand products but state they have no control over tertiary brands. In many cases the own brands and tertiary brands are packed by the same suppliers.
- In 2005 less than half of the bacon manufactured in the UK came from British produced pork.
- In 2005 an estimated 70% of pork imports would have been illegal to produce in the UK on the grounds of pig welfare. This is up from 66% in 2004.
- The number of pigs produced in supply countries under so-called 'UK contracts' has fallen, despite price premiums being paid to producers in those countries. The reason stated is an apparent lack of demand from UK retail and food service buyers.
- Consumer research indicates that British consumers remain very concerned about imports of pork and pork products that fail to meet UK pig welfare legislation. More than 90% of the consumers questioned 'agreed' or 'agreed strongly' that all pork should be produced to UK welfare standards and that it should not be imported if it does not meet UK legislation standards.
- In conclusion the report indicates that in 2005 it seems clear that the growing focus of import demand is price driven at the expense of animal welfare.

2. Background

The United Kingdom has always engaged in international trade in pork and pork products. Strong demand for bacon in particular meant that there has always been a need to supplement UK production. However, in the last five years there has been a dramatic growth in imports, virtually all from within the European Union. This report examines this expansion in imports, their distribution in the market, the standards regarding sow welfare and the attitude of consumers.

3. How much does the UK import?

Imports of pork, pork products (such as bacon, ham, sausages etc) and live pigs for slaughter (converted to a carcase equivalent) reached a total of 858,000 tonnes in 2005. This meant that 61% of all the pork and pork products eaten in the UK last year was imported.

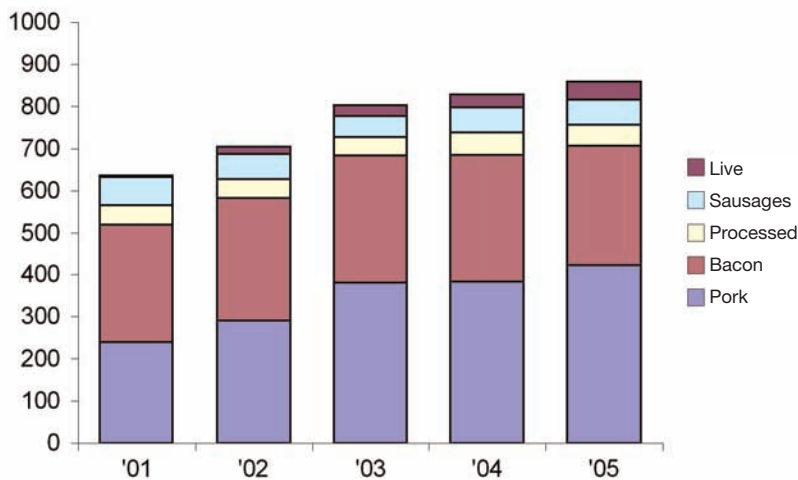
In recent years total pork and pork product imports have been rising steadily. Between 2001 and 2005 imports increased by 35%. There have been differing trends for the various product categories. Pork imports (mostly fresh) have increased by 77% over the last 5 years and now represent almost half of all pork and pork product imports.

Bacon imports changed little over the period although they had increased slightly up to 2003 ⁽¹⁾.

Sausage and other processed pork products imports have remained stable.

Live pig imports, which are virtually all slaughter pigs from the Irish Republic going to Northern Ireland have increased by almost 10 times. From being relatively insignificant in previous years the position last year was that more than 550,000 pigs were imported which is the equivalent of 42,000 tonnes of pork (carcase weight).

Figure 1 Total pork and pork product imports



⁽¹⁾ The recorded volume of imports of bacon from Denmark into the UK and recorded exports of bacon from Denmark to the UK show a significant variance in 2005. Therefore until this anomaly can be resolved it has been assumed that imports of bacon from Denmark in 2005 were unchanged on a year earlier.

Where do imports come from?

Pork imports are dominated by Denmark and the Netherlands. Together these two countries account for 55% of all imports (Den 43%, NL 12%). Other countries of significance include France, Germany, the Irish Republic and Spain.

In 2005 Danish imports increased by 26% compared with a year earlier. Although at a lower level imports also increased from Spain (+19%), France (+7%) and the Irish Republic (+3%). The Netherlands (-16%) and Germany (-4%) declined.

Other sources of pork imports included Belgium (11,000 tonnes), USA (3,000 tonnes) and Poland (2,000 tonnes).

Figure 2 Pork imports

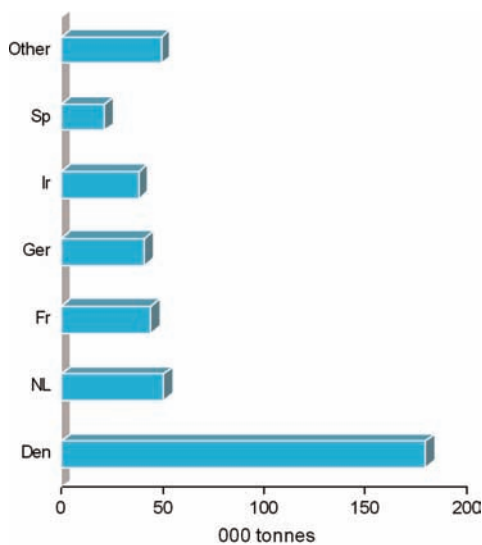
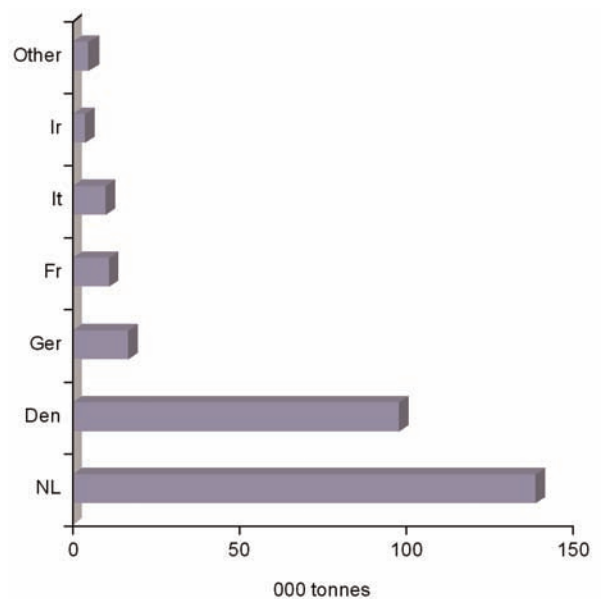


Figure 3 Bacon imports

Bacon imports are dominated by the Netherlands and Denmark. Despite imports from the Netherlands falling in 2005 they remained the largest supplier to the UK. A notable feature was the 82% rise in bacon imports from Germany. After a number of years of German pork being exported to the Netherlands for curing, industry reports indicate that a number of companies are now manufacturing bacon in Germany before shipment to the UK.



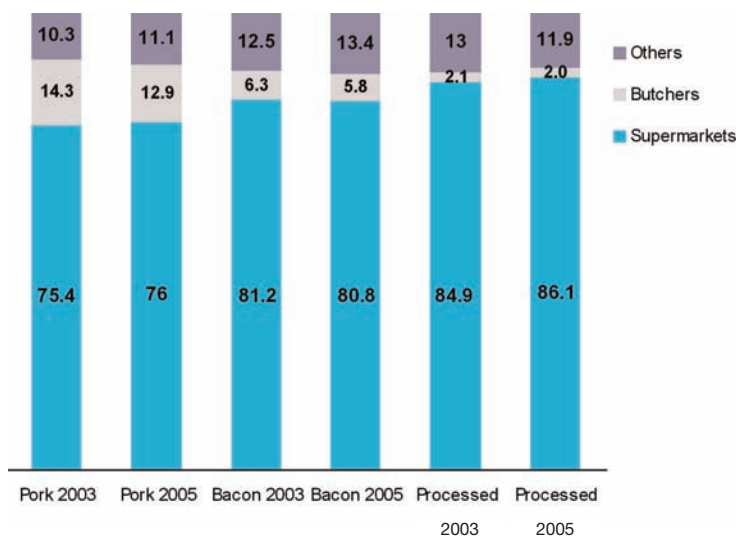
Where are pork and pork products sold?

In 2005 an estimated 68% of all the pork and pork products eaten in the UK was sold through retail outlets. The remaining 32% was sold through food service outlets.

The retail market for pork and pork products is split between fresh pork (24%), bacon (37%) and other processed products (39%) (mainly ham, sausages and pies).

The retail market is dominated by supermarkets that accounted for 76% of pork sales, 81% of bacon and 86% of other processed pork products.

Figure 4 % Retail sales of pork, bacon and other processed pork by outlet



Where are imported pork and pork products sold?

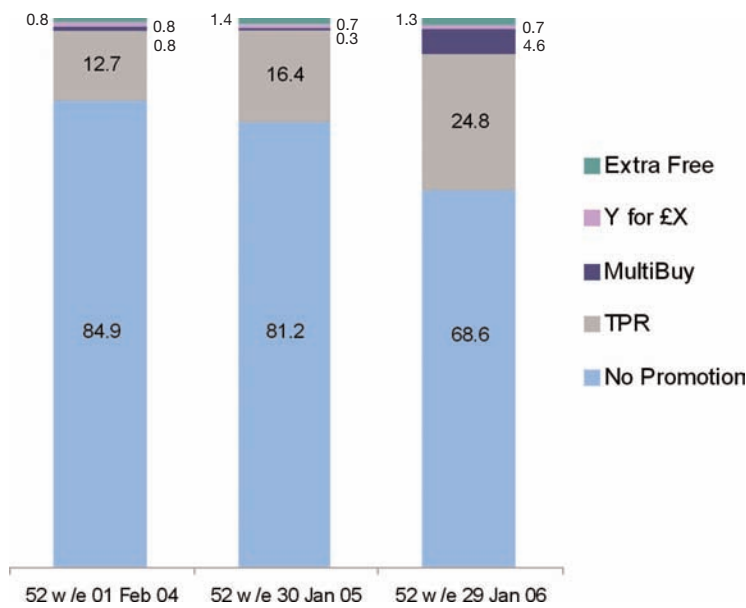
It is estimated that the majority of imported pork and pork products (60%) is sold through retail outlets, mostly supermarkets. The situation varies depending on the specific product.

Pork. It is estimated that in 2005 approximately 50,000 tonnes of imported pork was sold directly through retail outlets. This volume has been growing rapidly in recent years. In 2001 about 85% of the fresh pork on sale in the UK came from British pigs. In 2005 it is estimated that this has fallen to 71%.

Market research shows that in 2005 there was a sharp rise in the volume of pork sold on “promotion”. For example sales of pork chops/steaks on promotion went from 19% to 31%. This was mostly temporary price reductions and “multi-buy”.

The research data also indicates that it is mainly imported pork being used in these price-driven promotional deals. For example in the period between September 2005 and February 2006 the price of prepacked imported pork chops sold at retail was on average 23% lower than home produced (average range from 14% to 31%). For leg roasting joints the price of prepacked imported leg roasting joints average 20% below the equivalent home produced price.

Figure 5 Fresh prepacked pork chops/steaks – promotional activity – volume %



The way in which imported pork is sold has also changed in recent years. The growth in sales of imported fresh pork has been accompanied in many cases by the use of ‘tertiary brands’ as opposed to the retailer’s own label. Tertiary brands, which have been described as ‘flags of convenience’ are different from national brands in that they are not independently promoted to consumers and are often dedicated to specific retailers. Tertiary brands either use the processors existing name (for example, Tulip, Cranswick Country Foods, Roach Foods), a previous company name (for example, Harris) or a name used to convey a positive rural impression (for example, Abbey Fayre, Country Choice, Green Pastures, Cook’s Choice, Suffolk Choice) although they often contain imported pork.

The labelling of tertiary brands and some supermarket own brands can often be misleading for consumers. Research conducted in October 2005 (Market Tools) showed 16 different pork and pork product labels (with own brand and tertiary brand) to 1,200 consumers and asked if they could clearly identify the country of origin. 5 of the 7 own label products were rated ‘very clear’ or ‘quite clear’ by more than 50% of consumers. Of the 9 tertiary brands, 7 were rated ‘very clear’ or ‘quite clear’ by less than 5% of consumers.

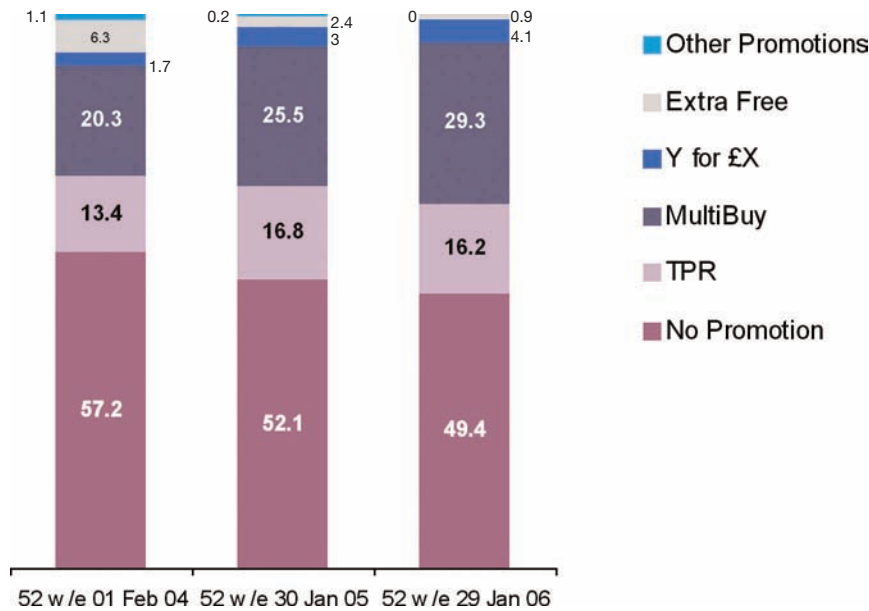
In a separate survey a sample of 1,200 consumers were asked if ‘The country of origin of the pork that I buy is important to me?’ In reply 68% of consumers stated they ‘agreed’ or ‘agreed strongly’ with the statement.

Bacon. It is estimated that in 2005 approximately 320,000 tonnes of bacon was sold directly through retail outlets with the remainder being sold through food service.

In common with fresh pork there has been a growth in sales through promotions. In 2005 just over half of the prepacked bacon rashers sold at retail was on promotion. This compares with 48% in 2004 and 43% in 2003. The most popular method was ‘multi-buy’ (ie two for one), followed by temporary price reductions.

The research data also indicates that imports are being used mostly in the price-driven promotions. For example between September 2005 and February 2006 market research shows the price of imported bacon rashers averaged between 6% and 30% less than the equivalent British product (identified Danish -6%, identified Dutch -20%, unspecified imported -30%).

Figure 6 Prepacked back rashers – promotional activity – volume %

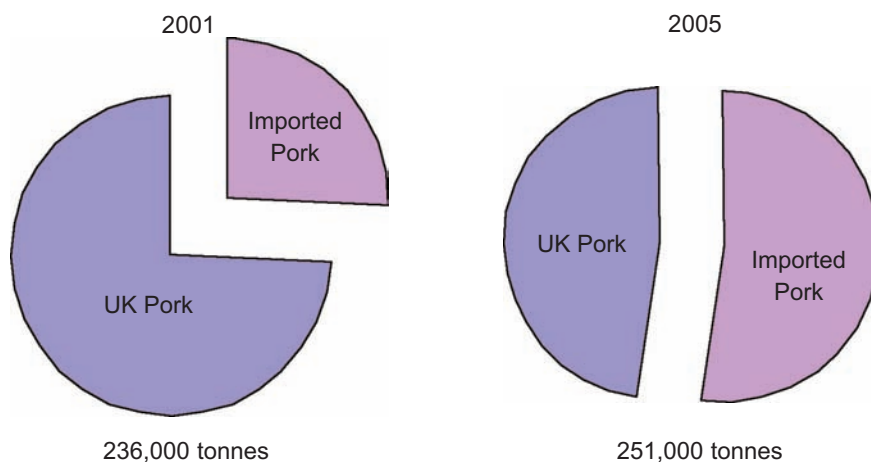


Is British bacon all British?

The market share of ‘British’ bacon has become increasingly unclear due to the steady rise in the use of imported pork (including pigs imported and slaughtered in Northern Ireland) in British bacon production.

Official statistics show that the amount of bacon produced in the UK in 2005 reached 217,000 tonnes. Total consumption of bacon in the UK in 2005 was 487,000 tonnes giving an apparent UK market share of 45%. However, as Figure 7 shows, last year for the first time more bacon was produced in the UK from imported pork than from UK pigs. In reality the market share of British bacon from British pigs in 2005 was only 21%.

Figure 7 UK Bacon production



Other processed products. It is estimated that the majority (65%) of imported processed products such as ham, salami and sausage products are sold through retail outlets. However, in common with bacon production a significant amount of pork legs are imported each year and processed into cooked ham in the UK. It is estimated that only 15%-20% of the cooked ham on sale in UK retail outlets comes from British produced pork.

Is country of origin labelling required?

It is clear that many consumers want to know the country of origin of pork and pork products. However, the law does not satisfy that demand by making country of origin labelling obligatory in relation to pork and pork products.

The Trade Description Act 1968 does not require country of origin labelling but does make it an offence to:

- Apply country of origin labelling which is false or misleading to a material degree; or
- Supply, or offer to supply food to which country of origin labelling is applied which is false or misleading to a material degree.

The approach taken in the Act is that goods are deemed to have been manufactured or produced in the country in which they last underwent a treatment or process resulting in a substantial change, which is likely to include the manufacture of bacon, ham and other products.

The Food Safety Act 1990 and the subordinate Food Labelling regulations 1996 also prohibit misleading labelling.

Directive 2000/13/EC on food labelling states that the labelling of food must not be such as could mislead a purchaser to a material degree, particularly as to its characteristics including, in particular, its nature identity, ... origin or provenance, method of manufacture or production.

The Food Standards Agency (FSA) considers that the Trade Descriptions Act approach is a reasonable working guide for the purposes of the Food Labelling Regulations 1996. However, the FSA is clear in their guidance on country of origin labelling (www.food.gov.uk/multimedia/pdfs/originlabelling.pdf) that:

“We recommend that, for origin labels for meat other than beef and veal (which are already subject to detailed rules):

- Single country origin declarations should only be given where animals have been born, reared and slaughtered in the same country.
- Otherwise information on each of the countries of birth, rearing and slaughter should be given.”

Further in relation to pork products, the FSA notes that:

“If the place of origin of the food is not the same as the place of origin of its primary ingredients, it may be necessary to provide information on the origin of those ingredients.

For example Bacon or ham made in Britain using Danish pork should not be described as “British Bacon” or “British Ham” but could be described as “[imported] [Danish] pork [cured] [baked] [roasted] in Britain.

Pork sausage, made in Britain using pork from countries outside the UK should not be described as

“British pork sausages” but could be described as “made in Britain from [imported] [country of origin] pork [from more than one country]”.

It is not known if and how many retailers and processors of pre-packed pork and pork products follow the FSA guidelines.

Do all imports meet UK pig welfare standards?

In January 1999 the United Kingdom introduced specific legislation that made the use of sow stalls and tethers illegal. The only other country in the EU to take the same action is Sweden. The Netherlands banned the use of tethers in 1996. From 2006 the EU banned the use of tethers in all 25 members states. The EU also agreed to the partial prohibition on the use of sow stalls from 2013. However, it is still permissible to have stalls on the pig unit and to use them for the first four weeks after mating. In the Netherlands sows can be kept in stalls for 4 days after mating. This applies to all new buildings and for all farms from 2013.

A number of European companies have introduced commercial contracts specifically aimed at supplying the UK market. These ‘UK Contracts’ focus on producing pigs to UK legal minimum standards and additionally generally prohibit the use of animal fats in feed. However, unlike UK Quality Assured production (more than 90% of UK output) these contracts allow castration. Price premiums are usually paid to producers under these contracts to cover the extra costs involved.

Commercial and trade contacts have been used to assess the number of pigs produced under ‘UK Contracts’. Where possible 2005 data has been used, but if this is not available then information for 2004 has been used.

The trend among the major suppliers to the UK market is as follows:

Denmark The number of pigs produced under the UK contract has continued to fall despite the price premium of 3p/kg dw. In 2002 about 3.5 million pigs a year were produced under the UK contract (source: National Committee for Pig Production). In 2005 this had fallen to 2.2 million pigs (source: Trade estimate). The reason given for this trend is a lack of sufficient demand in the UK, particularly from many supermarket and food service buyers.

It is estimated that cuts from about 46% of the pigs produced in Denmark are exported to the UK of which less than half are produced under a UK contract.

Netherlands In 2004 about 2.7 million pigs were produced under the UK contract (source: Dumeco). No updated information is available for 2005 but it is thought that this number has fallen. Trade and government sources report that this is due to a lack of demand for UK welfare standard pork and bacon. It is estimated that cuts from nearly 90% of the pigs slaughtered in the Netherlands come to the UK of which only 20% are produced under a UK contract.

Irish Republic The rapid growth in live pig exports to Northern Ireland now means that cuts and carcasses from just over 70% of pigs produced in the Irish Republic come to the UK. Trade sources indicate that just over 20% of national production would meet UK minimum standards.

France and Belgium require about 9% and 13% of their national kill to supply the UK market. Trade sources are not aware of any significant volumes of “UK Contracts” being offered, particularly in Belgium.

Spain The growing volume of imports means that cuts from about 2% of national output are required to supply the UK market. Trade sources are not aware of any UK contracts being available in Spain.

Overall the growth in imports of pork and pork products in 2005 and reduced production under 'UK contracts' has resulted in an increase in imports that do not meet UK welfare standards.

In 2004, two-thirds of pork and pork product imports would have been illegal to produce in the UK on the grounds of pig welfare. In 2005 this had risen to 70%.

What do British consumers think about this?

The weakening demand for UK welfare standard pork and pork products being expressed to supplying countries seems to conflict with the view expressed by British consumers in previous surveys.

Therefore, consumer research was conducted among 1,200 consumers making the questions more specific to pig welfare than in previous years.

The answers from British consumers were overwhelming.

93% of consumers 'agree' or 'agree strongly' that pork should not be imported if it does not meet the minimum standards of the UK.

90% 'agree' or 'agree strongly' that all countries production standards should be at least equal to those of the UK.

90% 'agree' or 'agree strongly' that all imported pork should be produced to the animal welfare standards of the UK.

Conclusion

Imports of pork and pork products continued to increase in 2005 indicating that demand in the United Kingdom remains strong. However, it seems to be clear that the growing focus of import demand is price driven at the expense of animal welfare. This is clearly at variance to the attitude of consumers. There has been a clear impact on the number of breeding sows in higher welfare 'UK contract' systems in the rest of Europe. As a consequence 70% of the increasing volume of pork and pork products imported into the UK in 2005 would be illegal to produce in the UK on the grounds of pig welfare.

The focus on price at the expense of production quality by buyers in the UK is also resulting in a sharp rise in pork and live pigs imported for further processing. This poses significant challenges for accurate labelling of pork, bacon, ham and other products sold through British retailers.



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