

Pig Market Trends

January 2013, Issue 92

Key Points

Producer prices

GB finished pig prices peak in mid December but January fall modest compared with recent years.

GB sow prices falling sharply as seasonal factors are exacerbated by weak EU pig market.

EU pig prices stabilise over holiday period at a level well above year earlier, despite recent falls.

Slaughterings and production

UK clean pig slaughterings top 10 million in 2012 for first time since 2002.

December slaughterings up four per cent on year earlier, pig meat production up three per cent.

EU production recovers strongly in October to reach highest level of 2012 but tightens in November.

Trade

November another strong month for UK exports with growth for pork, sausages and offal.

Pork imports up on year earlier but bacon shipments down despite higher Dutch supplies.

Retail sales and prices

Ham sales remain strong in December but other pig meat categories struggling due to higher prices.

Consumers traded down this Christmas to stay within budget, with pork and gammon joint sales hit.

Costs of production

Cost of pig production remains well above pig price, with producers losing around £1 million per week.

Prices for feed components remain high and limited demand rationing means stocks very tight.

Global Outlook

Global pig supplies likely to be tight in 2013, with rising demand and only modest production growth.

EU pig meat production set to fall by at least two per cent in 2013, due to poor profitability and sow stall ban.

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Key data

	Dec 12	Change since Nov 12	Change since Dec 11
GB DAPP (euro-spec) – p/kg dw	160.95	+0.70	+13.21
Average GB carcase weight – kg	78.28	-0.93	-0.26
30kg weaner price – £/head	46.14	+1.15	+2.08
GB cull sow price – p/kg dw	105.08	-7.33	-8.67
EU Reference price – €/100kg dw	174.21	-6.07	+14.87
UK Reference price – €/100kg dw	193.07	-1.58	+22.56
UK weekly clean pig kill – 000 head	192.4	-15.1	+6.7
UK weekly pig meat production – 000 tonnes	15.6	-1.5	+0.5
UK pork imports – 000 tonnes*	33.5	+2.3	+1.1
UK bacon imports – 000 tonnes*	22.7	-1.0	-2.3
UK pork exports – 000 tonnes*	14.0	-0.9	+1.6
Retail pig meat sales – 000 tonnes†	64.4	+3.7	-0.8
LIFFE feed wheat futures – £/tonne	216.14	-1.95	+71.27
CBOT Soyameal futures – \$/tonne	444.73	-0.33	+153.81

* Figures relate to November 2012

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 23 December 2012

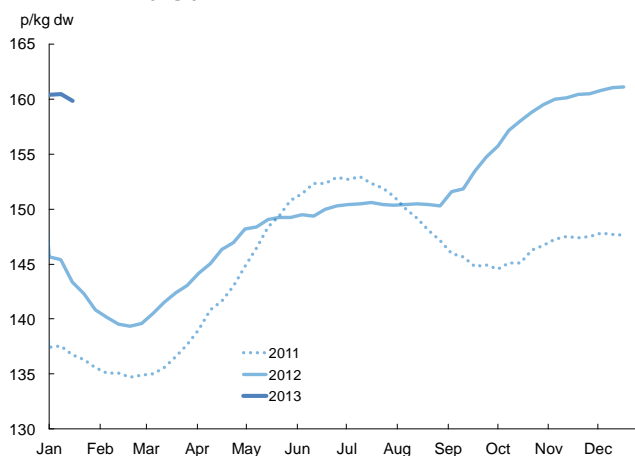
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Producer prices

GB finished pig prices continued to rise in December, with the EU-spec DAPP averaging 160.95p per kg. However, the rate of increase was slower than the month before, with the average only 0.70p higher in December compared with the month before. This is the typical seasonal pattern as rising demand for the Christmas period is matched by higher supply as producers market pigs earlier before the holiday period. The year on year increase remained steady, as pig producers were paid just over 13p more compared with December 2011. The latest weekly figures for the week ended 19 January show that the DAPP dropped to 159.84p per kg but the fall in the first half of January was much lower than in the last two years. This was reportedly because processors and retailers were holding lower stocks post-Christmas.

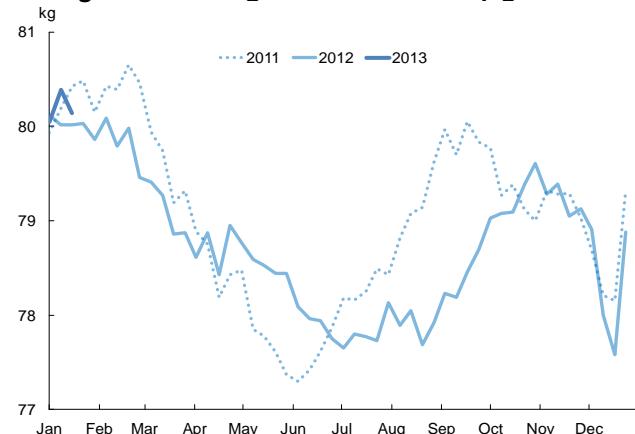
GB finished pig prices (DAPP)



Source: AHDB Market Intelligence

Carcase weights averaged almost a kilo lower than in November, as the December average fell to 78.28kg. This was largely due to producers finishing their pigs earlier to meet demand for the festive season and to avoid the holiday shutdown. In particular, in the week before Christmas recorded carcase weights were at their lowest in 18 months, averaging 77.58kg. However, the average weights picked up again in early January; in the first three weeks of the month, weights were up again to their level in the pre-holiday period at over 80kg.

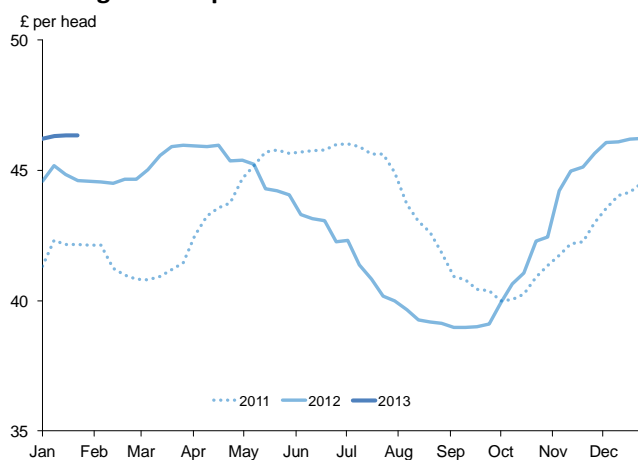
Average carcase weights for GB finished pigs



Source: AHDB Market Intelligence

The weaner market ended the year with prices remaining firm, as the average for December reached £46.14 per head. This was just over a pound more than the November quote. Weaner prices have consistently risen since the low point in early September. Between September and December, the value of an average 30kg weaner was £7 higher. This reflects some growing confidence for the direction of finished pig prices in the spring, as the demand for weaners is affected by producer expectations of higher returns. However, prices stabilised through December and early January as finishers waited to see the direction of pig prices in the New Year.

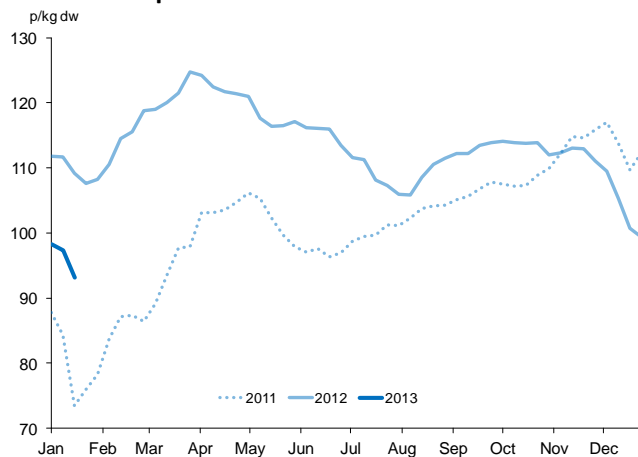
GB 30kg weaner prices



Source: AHDB Market Intelligence

Cull sow prices dropped down to 105.08p per kg in December, around 7p lower than the previous month and nearly 9p lower than a year earlier. The reduction in cull sow prices has been evident since early November and continued into the New Year. Falling prices are normal at this time of year as demand drops once manufacturers have completed their Christmas orders, especially as many close down over the Christmas holidays. The fall has been particularly sharp this year, partly due to the weakness of the EU pig market. The cull sow market suffered further during early January and by week ended 19 January, prices hit the lowest point since March 2011, at 93.13p per kg.

GB cull sow prices



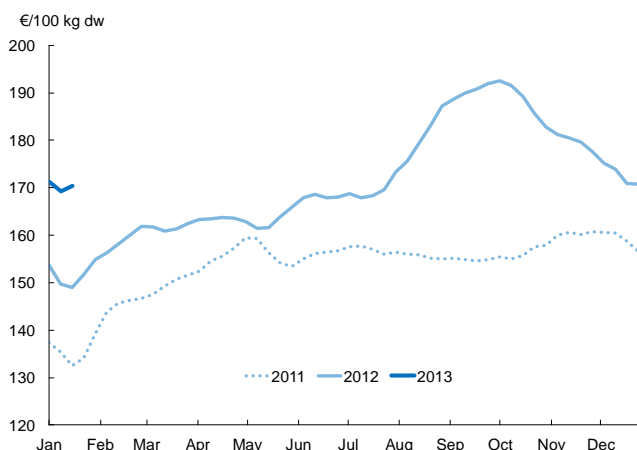
Source: AHDB Market Intelligence

Great Britain pig prices

	DAPP Euro-spec (p/kg)	DAPP UK-spec (p/kg)	Ave. Car-case Weight (kg)	Ave. P2 Probe (mm)	30kg Weaner Price (£/)	Cull Sow Price (p/kg)
Oct-12	157.74	154.91	79.24	11.0	41.27	113.56
Nov-12	160.25	157.37	79.21	11.0	44.99	112.41
Dec-12	160.95	158.07	78.28	10.9	46.14	105.08
05-Jan	160.39	157.50	80.05	11.0	46.21	98.30
12-Jan	160.42	157.52	80.39	10.9	46.31	97.28
19-Jan	159.84	156.95	80.14	10.9	46.34	93.13

The recent downward trend continued as the EU average pig price in December dropped to €174.21 per 100kg, a difference of six euros month on month. Although prices have fallen steadily since October, the average remains well above 2011 levels. EU pig prices in December were €15 higher compared with the same month in 2011. The EU average pig reference price stabilised over the holiday period at just over €170 per 100kg, a similar level to before prices began rising over the summer. It even increased slightly in the first week of the New Year but this was a short week. Prices fell again in the following week but bounced back to just over €170 in week ended 19 January. While this was over €20 lower than October's peak, it was still €21 higher than a year earlier.

EU average pig reference price

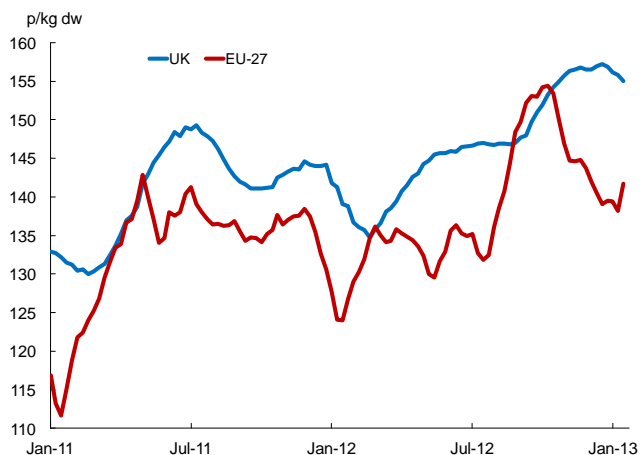


Source: EU Commission

Prices in most of the major producing Member States have followed a similar trend to the EU average. December averages indicate that several countries, including Germany, Italy, Poland and the Netherlands, suffered price declines of between €10 and €15. However, Spanish prices were down by a much smaller amount. Only a few smaller countries, including Ireland, recorded small price rises. Prices in the first two weeks of the New Year were largely stable or drifting downwards, with Spain and Italy the main exceptions.

The UK reference price in euro terms continued to fall from the November level but this was largely the result of exchange rate movements, with the euro strengthening against the pound, a trend which continued into the New Year. Despite this, at the turn of the year the UK price was around €20 per 100kg higher than the EU average, a larger gap than for most of last year.

Comparison of UK and EU pig reference price



Source: AHDB Market Intelligence, EU Commission

The EU weaner market remained firm in December, with a marginal increase in the average price compared with November 2011. The EU average was floating around €47 in December and has since moved up to just over €48 during January. This stability reflects a balance between supply and demand as the market awaits a clear direction for finished pig prices following the post-Christmas lull.

In common with the GB price, there were large reductions recorded in cull sow prices in the main EU markets. Over the month, Dutch and Danish producers received 16 cents and 12 cents less per kg than in November and the German M1 sow price fell 14 cents to average €1.40 per kg. Prices continued to fall in the New Year, with the German price as low as €1.27 per kg by week ended 19 January, the lowest level for nearly a year. The normal weak post-Christmas market has been exacerbated by higher throughputs in early January, possibly in response to the ban on the use of sow stalls.

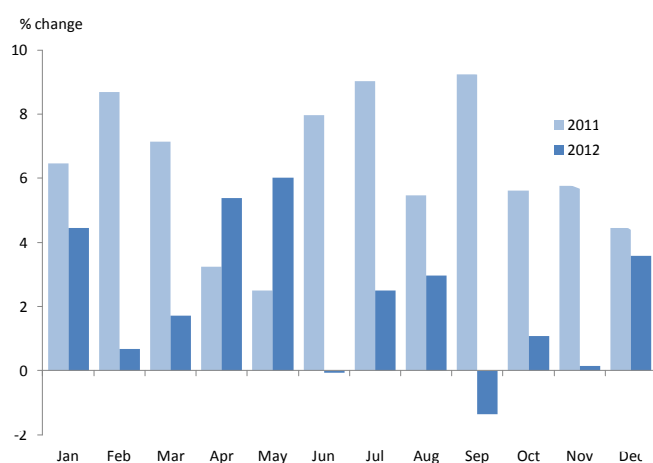
Pig Reference Prices in selected EU Member States (€ per 100kg)

	Oct-12	Nov-12	Dec-12	05-Jan	12-Jan	19-Jan
Denmark	175.62	169.85	167.27	161.65	161.66	159.06
France	179.52	166.57	157.94	156.00	156.00	156.00
Germany	193.21	184.72	173.89	171.36	170.34	168.30
Italy	216.59	202.48	188.60	187.71	189.75	190.81
Netherlands	175.53	167.07	157.49	154.55	154.14	150.89
Poland	193.27	183.63	173.95	171.06	168.89	164.31
Spain	189.88	178.18	174.27	179.07	168.25	182.92
UK	190.78	194.65	193.07	191.83	190.73	186.37
EU average	189.09	180.28	174.21	171.30	169.21	170.35

Slaughterings and production

UK clean pig slaughterings during 2012 topped the 10 million mark for the first time in a decade. Throughputs were two per cent higher than in 2011, despite a stable breeding herd, as sow productivity increased. Slaughterings in December were nearly four per cent higher than in December 2011 at 769,000 head. Most of the increase was in England and Wales, where throughputs rose by over nine per cent year on year, partly due to an increase in Scottish pigs crossing the border following the closure of Halls of Broxburn. Scottish clean pig slaughterings were down by more than half on a year earlier, while Northern Ireland killed one per cent more.

Annual change in UK clean pig slaughtering



Source: DEFRA

For the first time since May, the number of adult sows and boars slaughtered during December was below year earlier levels at 17,200 head, five per cent lower than a year earlier. This suggests that producers may have been feeling a bit more comfortable than earlier in the year although lower cull sow prices will also have been an important factor. Nevertheless, cullings for the whole year were up 17,400 at 265,000 head. This represents an increase of seven per cent.

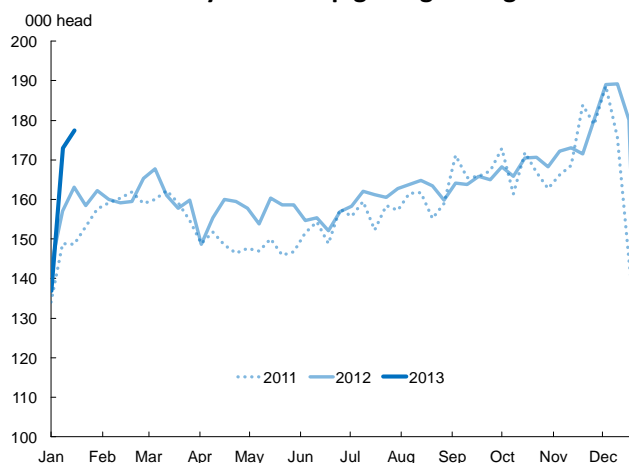
	Clean pig slaughter (000 head)	Pig meat production (000 tonnes)
Oct 12 *	1,005.1	83.3
Nov 12	829.7	68.4
Dec 12	769.4	62.5
% change Dec 2012/ Dec 2011	3.6%	3.0%
Jan-Jul 2012	10,034.3	824.6
% change 2012/2011	2.3%	2.4%

* 5-week month

Across the UK, carcase weights were slightly lower than in December 2011 at 77.7kg. This was nearly a kilo lower than in November as some pigs were pulled forward in advance of the holiday period. Across the whole year, the average carcase weight was virtually the same as in 2011 at 78.2kg. Overall, pig meat production during December was three per cent higher than a year earlier at 62,500 tonnes. This brought the total for the year as a whole to 825,000 tonnes, two per cent up on 2011.

Based on the DAPP sample, estimated clean pig throughputs in the early part of the New Year were higher than in early 2012. Throughputs in the first three weeks of January were five per cent higher than in the equivalent weeks last year. Although reports suggest that there was less of a post-Christmas backlog of pigs, lower stocks held by processors meant they were willing to take on larger numbers.

Estimated weekly GB clean pig slaughtering



Source: AHDB Market Intelligence

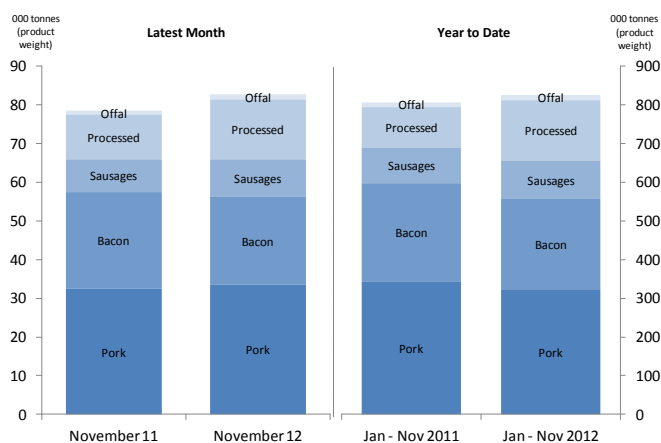
Having been six per cent down on 2011 in the third quarter of 2012, EU pig slaughterings recovered strongly in October. They reached their highest level of the year at 22.3 million head, four per cent higher than in October 2011. While this partly reflects the high number of working days in the month, the general increase in supplies was also reflected in falling prices across most of Europe. There were particularly sharp year-on-year rises in southern Member States, with Spain, France and Italy all recording growth of nine per cent or higher. However, Poland and Hungary continued to record lower throughputs, as did the Netherlands. Despite October's rise, slaughterings for the first ten months of 2012 remained two per cent lower than the previous year at 205 million head.

For those countries which have reported figures so far, supplies tightened again in November. For example slaughterings were down three per cent on the year in Germany and four per cent in France while Sweden recorded a massive fall of more than a quarter.

Trade

In November, UK fresh and frozen pork imports totalled 33,500 tonnes, an increase of three per cent compared with the same month of 2011. This was also an increase from October when imports were above year earlier levels for the first time in 2012 and was the highest monthly figure since June 2011. Nevertheless, shipments for the first 11 months of the year were still six per cent lower year on year. Denmark was the only major supplier that reduced its shipments, by 11 per cent. In contrast, the UK imported 24 per cent and 15 per cent more pork from Germany and the Netherlands respectively. Ireland gained a slightly higher share in the UK market, shipping 15 per cent more than in November 2011. However Ireland was still far from reaching the same level as in November 2010, when it accounted for almost a fifth of the UK market.

UK pig meat imports

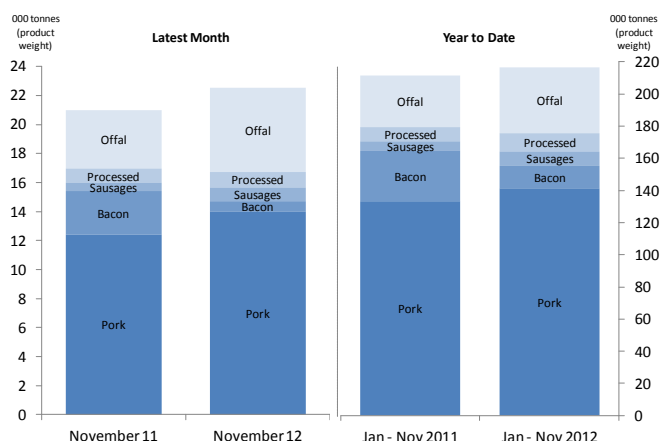


Source: Her Majesty's Revenue & Customs

Bacon and ham imports, at 22,700 tonnes, were 10 per cent lower compared with November 2011, in line with most of 2012. The UK continued to purchase more from the Netherlands, as imports were 10 per cent higher compared with the same month a year earlier. However, the majority of the reduction is a result of lower shipments from Denmark (down 18 per cent) and Germany (39 per cent). The UK continued to pull in increased volumes of processed products as shipments of sausages were up 13 per cent and other processed volumes were 35 per cent higher than the same month in 2011.

UK exports recorded another increase in November 2012 as pork shipments were up 13 per cent compared with the same month a year earlier. However, at 14,000 tonnes, shipments were below the exceptional levels recorded in November 2010 and in September and October 2012. Shipments to China reached over 2,300 tonnes, continuing the upward trend since exports began in July 2012. There were some differing patterns of trade with individual EU markets, with an increase in shipments to Denmark and Germany but declines in trade with the Netherlands and France. Overall, there was a marginal reduction in total pork exports to the EU.

UK pig meat exports



Source: Her Majesty's Revenue & Customs

The decline in bacon and ham exports continued, as they were down by more than three-quarters. Major reductions were recorded for all the leading EU markets. In contrast, sausage shipments were up 78 per cent, with Ireland taking almost twice as much and many other markets taking increased volumes. Exports of other processed products were up seven per cent.

Although offal exports came down from the high point in October, there was a 43 per cent year on year increment in November to 5,800 tonnes. Developments in the offal trade largely reflect increased demand from the EU, notably Belgium and Germany. While China took considerably more UK offal, Hong Kong reduced its purchases by 46 per cent.

The year-on-year decline in EU pork exports which began in June has slowed, with November shipments virtually unchanged on the year at 144,000 tonnes, reflecting increased production during October. Shipments to Russia, Japan, South Korea and Hong Kong were still down but volumes to China, Belarus and Ukraine were up on the year. The lower exports in the second half of the year have largely cancelled out the gains earlier in the year so EU pork exports for the year to date were up marginally at 1.48m tonnes. The main growth markets for the year as a whole were the same as in November.

For the first time since April, EU pig offal exports in November were up on the year, rising 15% to 108,000 tonnes. Growth was driven by a 52% increase in shipments to China, with Hong Kong volumes holding up, unlike in recent months. Volumes to other significant markets including Russia, Ukraine and Philippines declined. For the year to date, pig offal exports were down 4% on the year. Shipments to the China/Hong Kong region were largely stable but other markets declined.

Retail sales and prices

In the 12 weeks to 23 December, consumer spending on fresh pork remained in line with last year. However, the amount purchased continued to decline, with consumers switching to fresh beef and chicken. Nevertheless, belly, marinades and loin roasting joints all recorded volume growth, with declines for frying/grilling cuts and leg & shoulder roasting joints. A third of pork was sold on promotion over the period, compared to under a quarter last year but, despite this, the average price paid was up eight per cent.

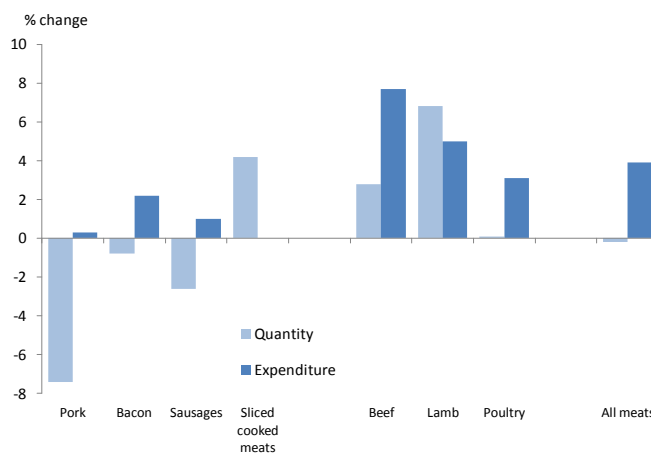
Average GB retail prices for selected meat products (p per kg)

	4 wk to 28/10/12	4 wk to 25/11/12	4 wk to 23/12/12	Change Y-o-Y
Fresh/frozen pork	527.0	529.1	550.3	+8.0%
Bacon	612.9	611.5	641.1	+4.5%
Pork sausages	357.5	363.7	420.1	+8.1%
Pork sliced cooked meats	875.7	860.9	905.0	-2.7%
Fresh/frozen lamb	835.8	857.3	807.0	+1.7%
Fresh/frozen beef	688.6	690.1	725.1	+7.8%
Fresh/frozen poultry	442.5	463.0	495.8	+2.5%
All fresh/frozen meats	553.0	564.1	588.5	+5.1%

At the same time, expenditure on bacon grew two per cent but volumes purchased were down slightly, as prices were higher. This was driven by a decline in bacon joints; steaks and rashers on the other hand both recorded growth. Spending on sausages increased one per cent, again driven by higher prices as volumes were down three per cent. Both economy and premium sausages outperformed standard varieties. Sliced cooked meats continued to record volume growth. Ham in particular saw volume purchases increase by four per cent, although average price reductions meant that expenditure was down one per cent over the same period.

In the latest four weeks (ending 23 December), the decline in fresh pork volume purchases slowed to one per cent, despite prices remaining higher. The value of bacon and sausage sales were up four per cent and three per cent respectively, driven by average price increases, although volumes declined. Ham, again, saw volume growth while spending was down as a result of a reduced average price.

Annual percentage change in retail meat purchases (12 weeks to 23 December 2012)



Source: Kantar Worldpanel

The Christmas period this year failed to follow some of the usual trends as consumers did not trade up and treat themselves with premium products. Instead they appear to have generally traded down to ensure their Christmas came in on budget. This meant that the discount sector gained heavily from the more established retailers and even the more upmarket premium retailers. The online sector continued to build, with sales up 23 per cent year on year following similar growth last December. Price cuts were a feature of this, as any other Christmas trading period, but this year more people were buying cheaper products at full price rather than on promotion.

In the key product areas there was substantial year on year growth in 2011 but in 2012 the party atmosphere appeared more subdued. Growth across all sectors was around two per cent, rather than the high levels of 2011, when there was growth of seven per cent or more on party food, treat items and alcohol.

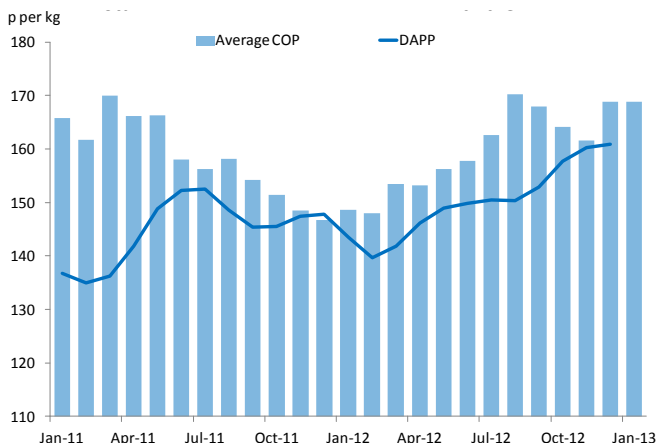
In meat terms, beef, lamb and chicken all saw volume growth over the month. Turkey sales declined but this is largely because Christmas Eve is excluded from this year's figures while it was included last year. Roast leg of pork is a traditional alternative or extra meat served at Christmas dinner and generally sales through the Christmas period are strong. This year, despite a much higher levels of sales being on promotion, pork leg roasting sales fell by 17 per cent, suggesting consumers were sticking with one type of protein for Christmas dinner.

Ham/Gammon joints are also popular at Christmas. Although more households bought them this year and spending rose by seven per cent, the amount purchased fell by seven per cent, indicating that consumers were being offered and buying smaller packs. While bacon rashers performed well, fresh sausages suffered a fall in sales, entirely driven by a poor performance of cocktail sausages. Sausage meat saw modest volume growth whilst fresh stuffing sales fell by 18 per cent, suggesting that more households were making their own stuffing rather than buying ready-made.

Costs of production

According to AHDB's provisional estimates, the cost of pig production in January was little changed from December at just under 169p per kg. Quotes for compound pig feed were slightly higher than the previous month but this was offset by higher carcass weights. At their current level, costs are close to the record highs recorded over the summer of 2012 and were more than 20p higher than a year earlier, when costs were just starting to increase as soya prices began to rise.

Total production costs compared with the DAPP



Source: AHDB Market Intelligence

Despite pig prices remaining close to record levels, high costs mean that producers remain in a loss-making position. Based on the current level of the DAPP, producers are losing an estimated £7 per pig during January, equivalent to a weekly loss of over £1 million for the industry as a whole. Losses for 2012 as a whole are estimated at around £60 million. Forward feed quotes suggest that production costs are likely to remain at or above their current level until next summer, at least.

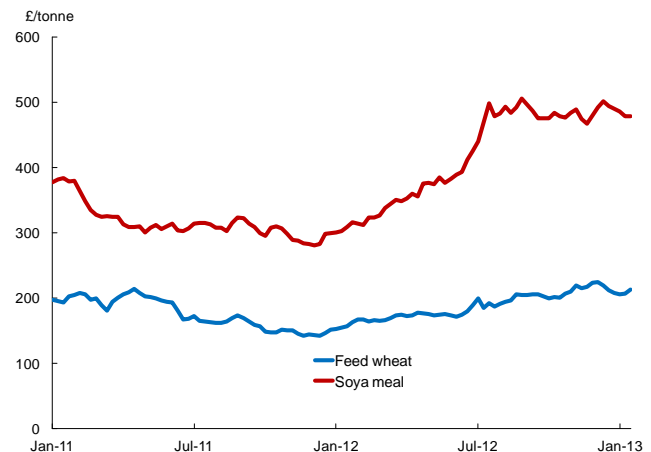
London feed wheat futures (May-13 contract) fell by £1.25 during the month, closing at £214.75 per tonne on Wednesday 23 January. US maize futures (March-13) gained just over £6.50 to close at £179.10 per tonne.

The International Grains Council increased forecast global wheat production by 2Mt to 656Mt in their latest report. Carry-out stocks were increased by 1Mt and now stand at 26 per cent of demand. World maize production was forecast up by 15Mt, mainly as a result of an extra Chinese production but also increases for the US and Argentina. Consumption was increased by 16Mt, however, reflecting higher than anticipated demand.

In data seen so far, global cereal consumption has shown little evidence of demand rationing as a result of the high prices seen this season. Domestically, UK animal feed production remains strong, with increases seen in compound feed production so far this season. Across the EU, pig feed production was down two per cent in 2012 compared with 2011, with small increases for cattle and poultry feed.

In the US, demand for cereals remains high according to the December stocks survey. Maize stocks were lower than last year, reflecting a difficult harvest, while wheat stocks were variable depending on location. US wheat prices could become more competitive on world markets in order to stimulate export demand. With most large importers now assumed to have covered requirements, however, the level of demand remains uncertain.

Prices for feed wheat and soya meal



Source: HGCA

Oilseed prices have risen slightly from last month and, at close on 23 January, nearby CBOT soyabean futures were worth £333 per tonne, up by £3 on the month. In dollars, soyabeans have declined by nearly \$10 per tonne, with the change in sterling terms reflecting currency movements. UK imported Hi-Pro soyameal was available for £351 per tonne from the east coast on Friday 18 January, a £39 fall since mid December.

The USDA increased their 2012/13 world soyabean production forecast by 1.69Mt to 269.41Mt, with both US and Brazilian output higher. Domestic use was increased by 1.42Mt, while season opening stocks were reduced by 0.9Mt. The net result was a decrease in ending stocks by 0.47Mt.

Brazil's soyabean harvest has just begun, with early yields said to be variable. Higher yields are expected in fields yet to be harvested, as they will be less affected by the dry weather early in the growing season. Brazilian soyabean production is forecast to be a record 82.50Mt this year but concerns have been raised about the logistics of moving such a large crop from the interior to ports.

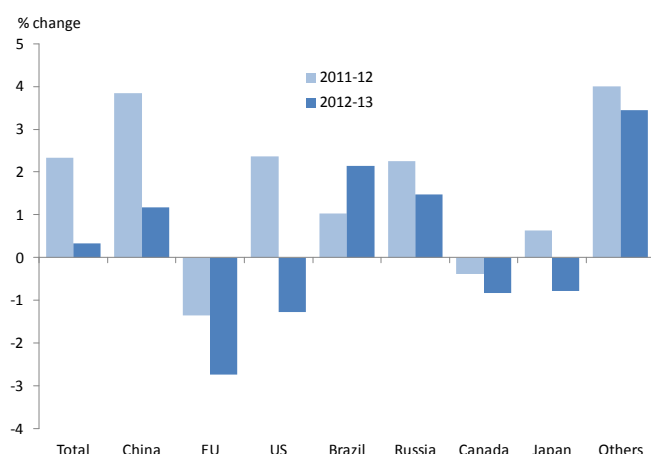
US stocks data show record soyabean use in the first quarter of the marketing year; at the start of January, 85 per cent of the US's exportable surplus had been committed or moved, compared with 66 per cent last year. This implies heightened reliance on South American production throughout the remainder of the season, meaning that below expectation production could result in market volatility.

FOCUS ON: Outlook for the global pig sector

Global pig meat production during 2012 is expected to reach around 104 million tonnes, based on USDA forecasts. This represents a two per cent increase compared with 2011. Just under half of this total will be produced in China, with its production expected to increase by four per cent to 51.4 million tonnes, slightly higher than in 2010. The increase is due to a recovery in the Chinese herd as a result of improved health and expansion driven by high prices last year.

The EU accounts for a little over a fifth of global production but volumes are expected to be over one per cent lower than in 2011 following declines in the breeding herd as a result of poor profitability. Most of the other major producing countries are expected to record unchanged or increasing production for 2012 as a whole. Global demand remains relatively strong, encouraging some expansion although high feed prices have constrained growth. The most significant production increase will be in South Korea, where the continuing recovery from the major FMD outbreak in 2010 will lead to production increasing by a quarter and returning close to its level before the outbreak.

Forecast change in pig meat production in selected countries



Source: USDA, AHDB

The major factor influencing the pig meat market during 2012 was the high price of feed. This hit the profitability of producers in many parts of the world, particularly since, outside the EU, higher production meant that prices were below the levels recorded during 2011. In the EU, new animal welfare regulations added to the impact of higher costs, leading to a particularly sharp decline in the breeding herd.

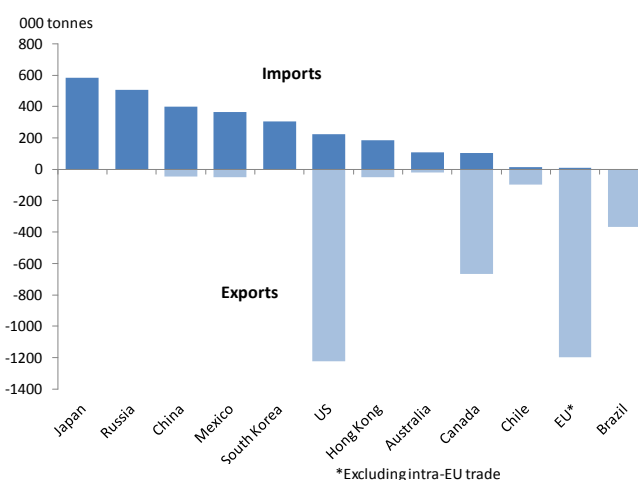
As a result of the higher feed prices, global pig meat production growth is likely to be relatively constrained in 2013. Most major producing countries are expected to record lower growth in 2013 than in 2012. Some, including the EU, North America and Japan, are likely to experience declining production. China continues to dominate the global market but is expected to record only a modest increase in production in 2013 as slower economic growth dampens consumer demand. Brazil is

expected to maintain steady production growth, supported by improving export markets despite a weakening domestic economy. Russian production is also expected to grow with strong government support, despite continued problems with African Swine Fever.

Decreased production in 2011 led to high prices across the world. The recovery of production in 2012 has led to lower prices this year in many places. For example, prices in China were typically about a third lower than they were at their peak last summer. The EU was an exception, with lower production leading to near-record prices over the summer. With global production constrained during 2013 and demand still rising, prices are likely to move higher again.

With production growing faster in the main importing regions than the exporting ones in 2012, global trade in pig meat was only a little higher than a year earlier. Shipments to China were up 12 per cent for the year as a whole having more than doubled in the first half year. In contrast, volumes were sharply down year on year in the final quarter of the year.

Global fresh/frozen pork trade, Jan-Sep 2012



*Excluding intra-EU trade

Source: GTIS

The two largest importers, Japan and Russia, recorded little change in their intake during the first three quarters of the year. Mexico and Ukraine were other growth markets, the former mainly from the US, the latter from the EU and Brazil. In contrast, shipments to South Korea declined by a quarter as the domestic industry recovered from the FMD outbreak which affected the domestic industry during 2011.

In terms of pork exporters, the US and Brazil both recorded double digit growth during the first nine months of 2012, while growth was slower from Canada. EU shipments were little changed compared with the previous year.

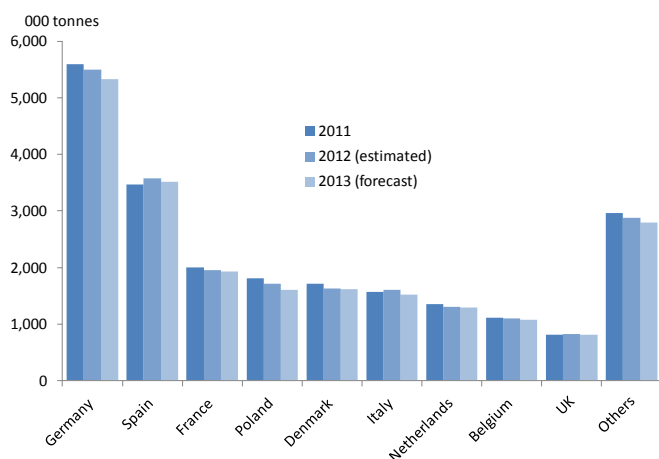
Looking ahead, no dramatic changes are likely in trade patterns during 2013. Lower EU production is likely to leave a lower exportable surplus but this will be partly offset by increased Brazilian shipments. Chinese demand is expected to remain steady and this will also be the case for most other major importers.

EU Outlook

The main exception to the trend of rising production so far in 2012 is the EU. Here, pig meat production in the first ten months of the year has been one per cent lower than in the same period of 2011, with pig slaughterings down by two per cent. Census data suggest that, while supplies are likely to remain constrained, they may not have fallen any further in the remainder of the year. As a result, production for the year as a whole is likely to have fallen by a little over one per cent to around 22.1 million tonnes.

All signs are that EU pig meat production will be significantly lower in 2013. The latest pig census results show a four per cent fall in the breeding herd for the second year running. While productivity improvements may partly offset this, it will inevitably lead to lower pig numbers in the early part of 2013. Added to this, high feed prices have hit producers since the summer and are likely to have led to further falls in the breeding herd.

Pig meat production in selected EU Member States



Source: AHDB estimates based on data from EU Commission

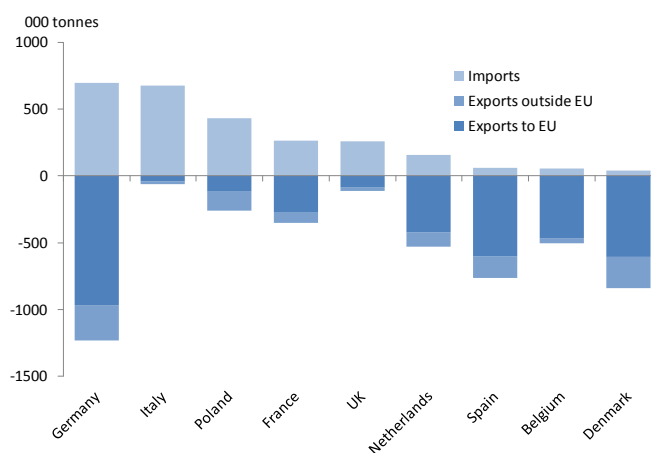
As well as these factors, at the time of the census, many pig breeders still had to convert their sow housing from gestation stalls to group housing, as required by new EU welfare regulations which came into force from 1 January 2013. Some will have decided to leave the industry rather than make the necessary investment. This is likely to lead to a further fall in the breeding herd, perhaps of as much as five per cent. In turn, this will lead to a fall in pig meat production in the second half of 2013 and into 2014. Taking all of these factors into consideration, a production fall of two per cent is the least that might be expected and a larger fall is likely.

EU pig prices remained above year earlier levels throughout 2012. Prices started the year around 12 per cent higher than at the beginning of 2011. Following a seasonal drop during January, they recovered quickly but were then broadly stable through the spring, with demand subdued by poor weather conditions. This is a time of year when prices normally rise, so by late

spring prices were only marginally higher than a year earlier. From early August, pig supplies began to tighten significantly, sparking a rapid rise in prices which took them to near record levels, peaking in mid October. With processors struggling to pass on price increases due to subdued consumer demand, an increase in pig numbers from October onwards meant that prices began to drop rapidly. By the end of the year they were only slightly higher than in July, although still much higher than a year earlier.

EU exports were relatively strong in the first half of 2012 but with supplies tightening, export volumes have been somewhat more constrained in the remainder of the year. Demand remains strong on some export markets, notably China, for which the final quarter is traditionally the most important for export volumes. Therefore, a modest increase in shipments is still possible but the growth in exports for the year as a whole may be only around one per cent, lower than in the earlier part of the year.

EU fresh/frozen pork trade, Jan-Sep 2012



Source: GTIS

With production down and exports slightly higher, the amount of pig meat available for consumption in the EU will be lower than in 2011. This shortage is reflected in higher prices, although retail prices have not risen to nearly the same extent as pig prices as consumer confidence remains fragile. With consumption and production falling by a similar amount, the EU will produce about 10 per cent more pig meat than it consumes, a similar ratio to the previous year.

With lower supplies available, exports are likely to be lower in 2013 than in 2012, despite the probability that demand from the global market will remain strong. However, to some extent the situation will depend on the extent of any production falls in other major exporters, notably the US, Canada and Brazil. If global supplies are particularly short then EU exports could hold up despite the tight EU supply situation. The lower production will also result in less pig meat being available for consumption in the EU, suggesting that further price rises are likely.

Other industry news

Places still available at Outlook Conference

The 2013 Outlook conference, jointly hosted by BPEX, DairyCo and EBLEX, will be held at One Great George Street, in London, on Wednesday 13 February. The programme will include a focus on global economic trends, price volatility and the outlook for feed prices. The conference will include a session providing an overview of the outlook for the pig industry, covering the UK, EU and global situation. The session will examine the impact of the big issues facing the industry, including the high price of feed, new EU welfare regulations and rising demand from emerging markets. To view further information about Outlook 2013, including the finalised programme, please [click here](#). To book a place at the conference, please [click here](#).

Trend towards fewer, larger pig farms in EU continues

Eurostat has recently published figures from its 2010 Farm Structure Survey. Although somewhat dated, it provides an indication of trends across the EU. The figures confirmed some growth in large scale pig farms, while smaller farms diminished since the last survey in 2007. Overall, about 70 per cent of EU pigs were on holdings with over 1000 head. In many of the major producers, including Denmark, the Netherlands, Spain and the UK, the percentage was over 80 per cent but in Romania and Poland it was still only a third or below.

US pig numbers stable

Latest USDA figures show that pig numbers on 1 December were virtually unchanged from a year earlier at 66.3 million head. The number of breeding pigs was marginally higher, while the number of slaughter pigs was fractionally lower. This is somewhat surprising given the financial losses in recent months due to high feed costs and low pig prices. The pig crop during the September-November quarter was up marginally on a year earlier as the number of pigs weaned per litter reached a record level, offsetting a small fall in the number of sows farrowed. Intended farrowings for the winter quarter are little changed from the actual figure for last year. However, intended farrowings for the spring quarter are two per cent lower than in 2012, suggesting a possible fall in the pig crop.

Decline in Dutch and Danish exports continues

Danish and Dutch pork exports continued on a downward trend in the third quarter of 2012, as pig meat production declined, partly due to increased

exports of weaners. Reduced demand, particularly from some EU markets, added further pressure on Dutch and Danish trade. Across the nine months, Danish exports were 15 per cent lower on the year, with third quarter exports down 18 per cent. The majority of the decline resulted from lower intra-EU trade. The Netherlands exported 16 per cent less pork in the first nine months of 2012; shipments in the third quarter were 22 per cent down year on year.

Australian market opened to British pork

The final stages of approval have been completed, allowing a number of GB plants to begin exporting pork to Australia. In the first 10 months of 2012, Australia imported 122,000 tonnes of pork and the three main suppliers are the US, Denmark and Canada, accounting for nearly 90 per cent of the total. However, the Netherlands gained access late last year and quickly increased shipments to well over 1,000 tonnes each month, without reducing quantities from the three main suppliers. With no other countries sending significant volumes, there appears to be sufficient demand in the market to accommodate sizeable shipments of British pork.

Further decline in German breeding herd

Latest figures show that the steady decline in the German breeding herd accelerated during 2012. The number of sows in November 2012 totalled 2.11 million head, a decline of four per cent compared with a year earlier. In part, this was due to a reduction in the number of holdings keeping sows, particularly in southern Germany, which might be partly attributed to many smaller producers deciding not to convert to group housing. The figures also show a significant rise in the overall pig herd but this is largely due to methodological changes and the true picture is thought to be one of stability.

New country reports published

Seven new reports have been added to the set of country reports published on the BPEX website, providing an overview of the pig market in leading producing or consuming countries around the world. They include information about pig numbers, slaughterings and production, trade and prices and an assessment of the outlook for the rest of this year. The new reports cover Belgium, Brazil, Canada, Ireland, Italy, Japan and South Korea and can be downloaded by [clicking here](#).

Read more about these and other stories in Pig Meat Weekly. To view past editions or to subscribe, [click here](#).