

Pig Market Trends

February 2013, Issue 93

Key messages

Producer prices

GB finished pig prices easing since the New Year, following normal seasonal trend but at a higher level.

GB cull sow prices falling in January then bouncing back on improved export market and exchange rate.

EU pig prices stable in January, with no seasonal fall, and starting to edge up in February.

Slaughterings and production

UK January clean pig slaughterings up two per cent on year earlier but sow numbers slightly down.

Average clean pig carcase weight in January highest on record due to good growing conditions.

Trade

Strong UK pork exports continue in December, meaning 2012 full year shipments highest since 2000.

UK pork and bacon imports down in December and full year, with processed import growth slowing.

Retail sales and prices

Retail pig meat sales well down on year earlier in four weeks to 20 January, hit by higher prices.

Pig meat performing well in foodservice in 2012, helped by strong growth in breakfasts.

Costs of production

Producer losses steady in February despite a fall in cost of pig production to 165p per kg

Global cereals prices easing but weak pound offsetting much of the fall, soya prices up a little as market awaits South American harvest.

Outlook for UK pig meat supplies

Smaller breeding herd, due to high feed prices, expected to mean 2% drop in pig slaughterings in 2013.

Tight EU supplies forecast to mean lower UK imports, with exports stable helped by access to China & Australia.

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Key data

	Jan-13	Change since Dec-12	Change since Jan-12
GB DAPP (euro-spec) – p/kg dw	159.32	-1.63	+15.86
Average GB carcase weight – kg	80.08	+1.80	+0.08
30kg weaner price – £/head	46.34	+0.21	+1.58
GB cull sow price – p/kg dw	94.90	-10.18	-14.79
EU Reference price – €/100kg dw	169.93	-3.02	+18.52
UK Reference price – €/100kg dw	187.43	-5.64	+19.02
UK weekly clean pig kill – 000 head	190.8	-0.8	+2.8
UK weekly pig meat production – 000 tonnes	16.0	+0.3	+0.3
UK pork imports – 000 tonnes*	27.8	-5.9	-2.9
UK bacon imports – 000 tonnes*	21.3	-1.4	-3.2
UK pork exports – 000 tonnes*	12.9	-1.3	+2.0
Retail pig meat sales – 000 tonnes†	52.0	-12.4	-3.4
LIFFE feed wheat futures – £/tonne	210.65	-5.49	+52.83
CBOT Soyameal futures – \$/tonne	414.41	-30.32	+99.07

* Figures relate to December 2012

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 20 January 2013

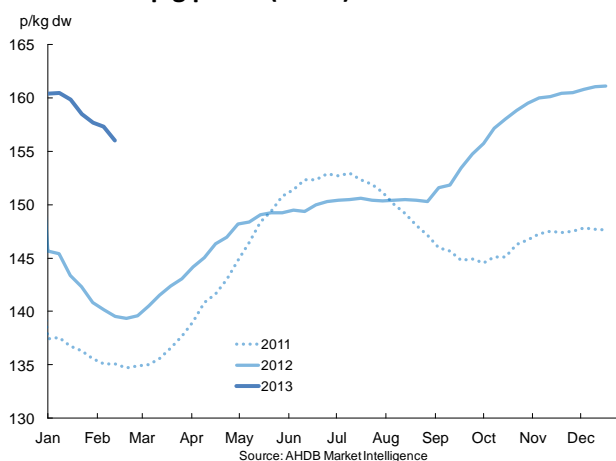
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Producer prices

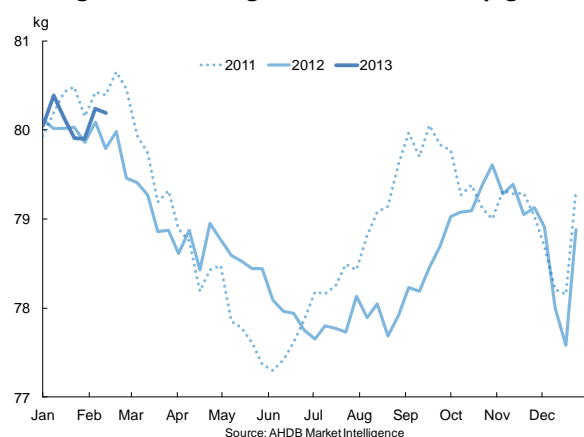
At 159.32p per kg, the average EU-spec DAPP fell by nearly two pence in January. This seasonal dip is largely a function of lower consumer demand following the Christmas season and is normal for this time of year. For the same month in 2011, pig prices fell by a slightly higher amount of four pence. This may be partly because this year processors and retailers were reportedly more cautious with Christmas supplies which meant that they had less post-Christmas stock. Steady EU prices and a weakening pound also influenced the UK market. As a result, producers received 16p more compared with January 2012. While the positive difference in the annual comparison continued into February, the DAPP fell further, reaching 155.99p per kg for the week ended 16 February.

GB finished pig prices (DAPP)



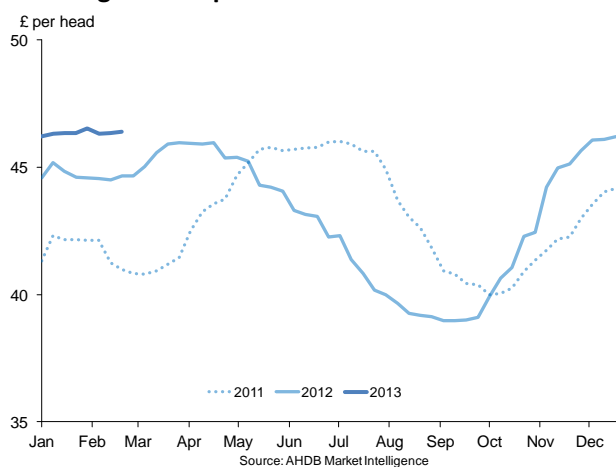
The average carcass weight in the DAPP sample jumped to 80.08kg in January, up by almost 2kg compared with December but similar to last January. During the month, weights floated around the monthly average but there was a marginal fall in the week ended 26 January to 79.91kg. This decline continued in the first week of February but by 16 February, carcass weights picked up again reaching 80.19kg. The average weight for January is typical for the beginning of the year, with a combination of a backlog of pigs after the holiday period and producers holding their pigs back for slightly longer waiting for demand to recover.

Average carcass weights for GB finished pigs



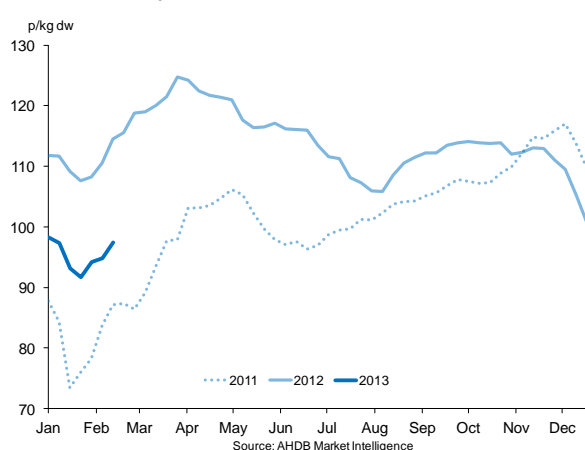
The January average price for a 30kg weaner was £46.34 per head, almost on a par with December 2012. At the latest rate, the weaner price was just under £2 more than the same month in 2012. The weaner market has gained some stability since November, with relatively strong producer confidence but some uncertainty about the future direction of finished pig prices. This trend continued into February. Weaner prices edged up to £46.38 for the week ended 23 February. The weaner market is yet to reflect the small decline in feed prices and is still awaiting clarity about future prospects for producer returns.

GB 30kg weaner prices



The cull sow market dipped by as much as 10p between December and January, as the monthly average was at 94.90p per kg. This was nearly 15p lower compared with the same month in 2012. Prices started falling in mid-November and by the end of January, cull sow prices had fallen by 21p. The downturn was largely a function of the weaker EU pig market, coupled with lower demand from manufacturers once orders for the Christmas period had been fulfilled. However, by the week ended 16 February, the cull sow price had picked up to 97.48p, nearly 6p higher in three weeks. Exchange rate movements contributed to the rise, adding to a firmer continental market since the start of February.

GB cull sow prices

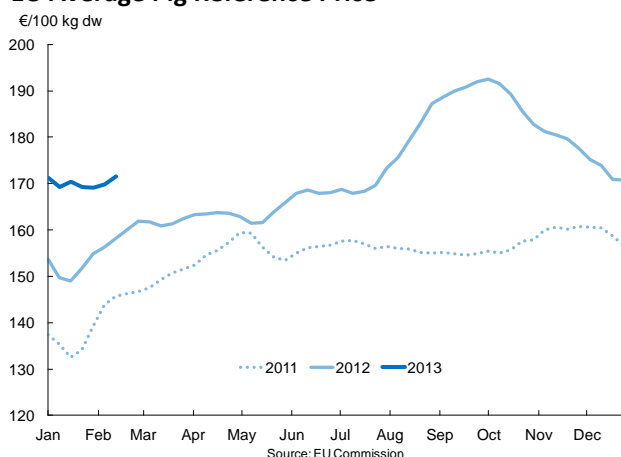


Great Britain pig prices

	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)
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
Jan-13	159.32	156.45	80.08	10.9	46.34	94.90
02-Feb	157.68	154.83	79.90	10.9	46.51	94.18
09-Feb	157.30	154.46	80.24	10.8	46.32	94.85
16-Feb	155.99	153.17	80.19	10.9	46.35	97.48

The EU pig reference price recorded a small reduction in January with an average of €169.93 per 100kg. At this rate, the price was three euros lower than the December average. However, the annual difference remained nearly €19 above 2012 levels for the same month. Most of the price fall actually happened before Christmas, with prices during January broadly stable. This contrasts with the seasonal trend of recent years which have seen prices falling sharply in the New Year but then recovering from late January onwards. By mid February, prices had begun to increase and for week ended 17 February the EU average reference price had reached €171.50 per 100kg. Although the gap had narrowed, this was still €13 higher than a year earlier.

EU Average Pig Reference Price

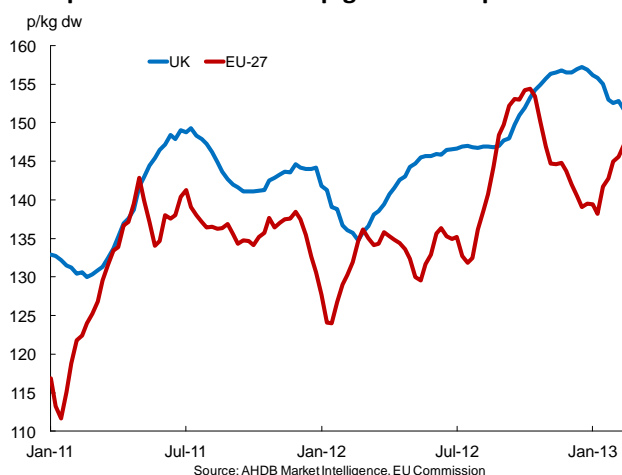


Month on month reductions in prices were apparent in most of the major producing Member States, with particularly sharp falls in Denmark and Poland. However, several southern European countries bucked the trend, with rising prices in Italy and, particularly, Spain as supplies here were reportedly especially tight. By the end of the month, these two countries had the highest prices among major producers and their quotes continued to increase through the first half of February. By that time, the Spanish price was back to a level similar to that in late October.

The sharp fall in the value of the pound against the euro during January meant that the gap between the EU reference price and the UK equivalent dropped

from around €21 per 100kg at the turn of the year to just over €5 by mid-February. If the gap narrows any further then it will put upward pressure on UK prices, since UK pig meat will be more price competitive.

Comparison of UK and EU pig reference price



Since December, the EU average weaner price improved by around one euro, with the January average reaching €48.53 per head. This was just over €3 more than in the same month in 2012. Prices have been increasing since the New Year but more slowly than is typical at this time of year and by week ended 17 February the average price was almost identical to a year earlier. As in the UK, high feed prices are combining with some uncertainty about future finished pig prices to limit price rises.

Sow prices in key EU Member States followed finished pig prices lower between December and January. The German quote fell by 12 cents per kg to €1.28 with Dutch and Danish prices down by a similar amount. However, from mid-January onwards, prices recovered strongly in Germany and the Netherlands despite relatively high supplies; German sow slaughterings were up seven per cent in the first seven weeks of the year. In contrast, the Danish price was stable during this period, with throughputs here up by an even larger percentage.

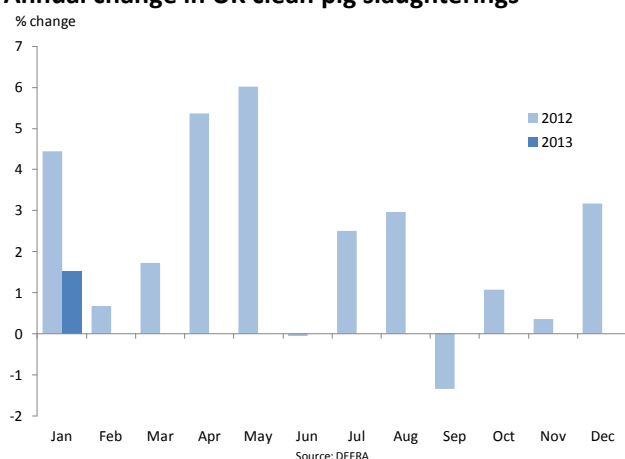
Pig Reference Prices in selected EU Member States (€ per 100kg)

	Nov-12	Dec-12	Jan-13	02-Feb	09-Feb	16-Feb
Denmark	169.85	167.27	159.84	156.68	156.70	156.67
France	166.57	157.94	155.16	153.00	153.00	154.00
Germany	184.72	173.89	169.51	168.30	169.32	172.38
Italy	202.48	188.60	190.50	192.79	194.77	196.62
Netherlands	167.07	157.49	151.90	150.39	150.37	153.32
Poland	183.63	173.95	165.81	162.29	165.36	166.03
Spain	178.18	174.27	178.50	182.64	184.59	187.43
UK	194.65	193.07	187.43	178.08	178.23	176.77
EU average	180.28	172.95	169.93	169.17	169.85	171.50

Slaughterings and production

UK clean pig slaughterings in January 2013 totalled 954,000 head. This was nearly two per cent higher than in the same month last year. The mild weather before Christmas helped to ensure that pigs grew well, which meant that some were able to come to market earlier than usual. With colder conditions since the New Year, this could lead to lower numbers later in the year, particularly as the impact of any decline in sow numbers last year becomes more apparent. As in recent months, Scottish throughputs were down by more than half, with most of these pigs transferring to England, where slaughterings were seven per cent higher than last January. In contrast, numbers in Northern Ireland were virtually unchanged compared with a year earlier.

Annual change in UK clean pig slaughterings



Adult pig slaughterings in January 2013 were close to year earlier levels at 25,400 head. This will be partly influenced by the low prices for cull sows during the month, which may have reduced replacement rates to some extent. However, it also suggests that the reduction in the sow herd which is thought to have happened during the second half of 2012 has slowed down or stopped, for the time being at least.

	Clean pig slaughter (000 head)	Pig meat production (000 tonnes)
Nov 12	831.4	68.4
Dec 12	766.3	62.5
Jan 13 *	954.0	79.8
% change Jan 13/ Jan 12	1.5%	2.2%
Jan 13 *	954.0	79.8
% change 2012/2011	1.5%	2.2%

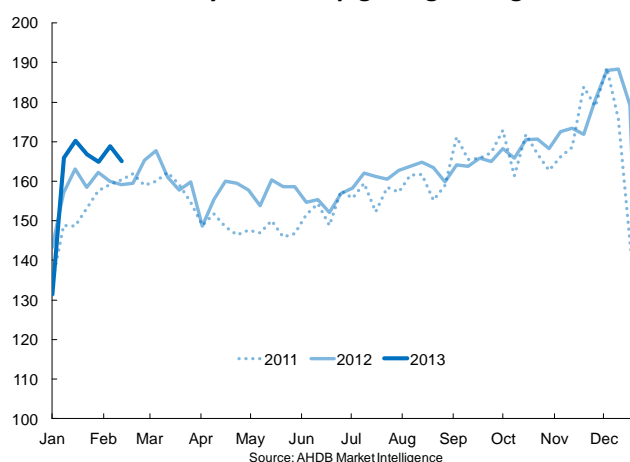
* 5-week month

Another effect of the good growing conditions pre-Christmas is that the average clean pig carcase weight was the highest ever recorded at 79.8kg. This increase

was apparent in all parts of the UK but there was a particularly sharp increase in weights in Northern Ireland. Combined with the higher slaughterings, this contributed to a rise in pig meat production of just over two per cent. The total quantity produced during the month was 79,800 tonnes.

Based on the DAPP sample, clean pig slaughterings continued to run ahead of year earlier levels during the first half of February. This may be an indication that demand for British pork remains robust, perhaps supported by consumers reacting to the revelations about horse meat in some processed beef products. It may also indicate some desire by processors to increase stocks ahead of an expected tightening of supplies as the year progresses.

Estimated weekly GB clean pig slaughterings



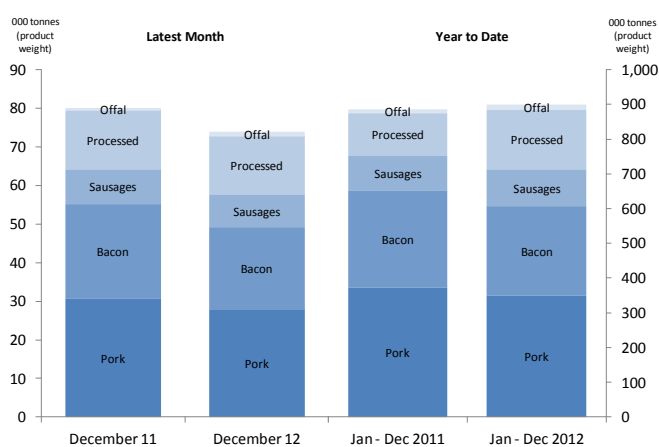
After a stronger month in October, EU pig slaughterings in November were again lower than a year earlier. Throughputs for the month were down three per cent at 21.1 million head. The fall wasn't universal, with several major producers recording higher slaughterings than in November 2011, including Belgium, Denmark, Italy and the Netherlands. In contrast, throughputs were down by three per cent in Germany, four per cent in France and Spain and nine per cent in Poland. This brought the decline for the year as a whole to two per cent. As in previous months, a small increase in carcase weights meant that the decline in pig meat production was slightly smaller, with November production totalling 1.89 million tonnes, a fall of less than three per cent.

December figures for those countries which have released data indicate a further fall in slaughterings. For example, German throughputs were down eight per cent on December 2011, while France slaughtered seven per cent fewer pigs. Romania and the UK bucked the trend, as they did for most of 2012.

Trade

Latest data confirm that the UK imported six per cent less fresh and frozen pork in 2012 than in 2011. The decline was largely the result of tighter supplies in the rest of the EU, with production down by around two per cent. The decline affected some of the UK's leading suppliers, such as Denmark, the Netherlands, Ireland and Belgium. These falls were partly offset by increased shipments from Germany and Spain, with the former becoming the second largest supplier. In December, shipments were down by nine per cent year on year, mainly the result of a fall of over a third in Danish supplies. Most other major suppliers actually increased their volumes somewhat, although this was insufficient to fully offset the lack of Danish pork.

UK Pig Meat Imports

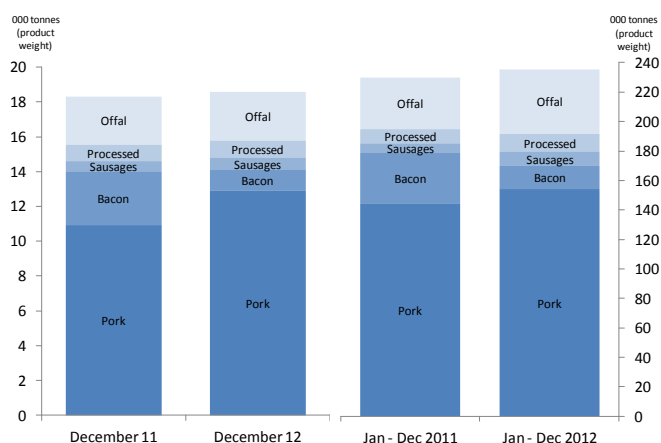


Source: Her Majesty's Revenue & Customs

Bacon and ham imports were also lower in 2012, down by eight per cent overall, with shipments lower from all three major suppliers, Denmark, Germany and the Netherlands. The decline in the final month of the year was even sharper, with shipments down 13 per cent. The falls in pork and bacon imports have largely been offset by increased volumes of processed pig meat. For the year as a whole, sausage imports were up seven per cent and other processed shipments by 41 per cent. However, growth in both these categories slowed as the year progressed and in December, sausage imports were five per cent down on a year earlier, while processed pig meat shipments were unchanged.

The strong recent export performance of fresh and frozen pork continued in December, with shipments up 18 per cent year on year. As in recent months, China was the key growth market, taking the second largest volume of UK exports for the second consecutive month. As a result of this, pork exports for the year as a whole were up seven per cent, with most of the growth in the second half of the year, after the Chinese market was opened; growth in the first half of the year was only two per cent. This meant that 2012 was the best year for UK pork exports since 2000.

UK Pig meat exports



Source: Her Majesty's Revenue & Customs

However, the increase in pork exports was more than offset by a sharp decline in shipments of bacon and ham. These were less than half their level in 2011, with all leading markets taking much less product. This pattern continued in December, with exports down by 62 per cent. However, there was a more positive picture for exports of processed pig meat products, which were up by a third, and, more significantly, offal. Offal shipments rose by more than a quarter for the year as a whole. The main driver was increased demand from other EU countries, which was up 82 per cent, likely for use in manufactured products or for re-export. Shipments in December were up only one per cent, perhaps because of lower manufacturing demand once Christmas orders had been fulfilled.

For the first time since May, EU pork exports were higher than a year earlier in December 2012. Nevertheless, the volume shipped, 127,000 tonnes, was the lowest monthly figure since June. As a result of the December increase, shipments for the year as a whole were 1% higher than in 2011. China was the key to this growth, with Belarus, Ukraine and Australia the other major growth markets during the year. In contrast, shipments to Russia, South Korea and Hong Kong all suffered double-digit percentage declines.

Pig offal exports were also up on the year in December. Falling shipments to Russia and other minor markets failed to fully offset growth of 20% in the main markets of China/Hong Kong. Nevertheless, the volume of pig offal traded across the full year was slightly lower than in 2011. For the year as a whole, exports of other pig meat products were up slightly. Cured pig meat volumes were up 2% at 37,000 tonnes, sausage shipments were up 4% at 131,000 tonnes and other processed products were up 1% at 72,000 tonnes.

Retail sales and prices

In the 12 weeks to 20 January, spending on retail pork purchases increased slightly. This was driven by increases in average price, as the amount purchased declined seven per cent, due mainly to consumers purchasing less per trip. Chops/steaks and leg & shoulder roasting joints experienced volume and spending declines, while belly and loin again recorded growth in expenditure and volume purchased. Loin roasting joints benefited from consumers switching away from other pork cuts, which helped to increase household penetration and boost purchases by 30 per cent.

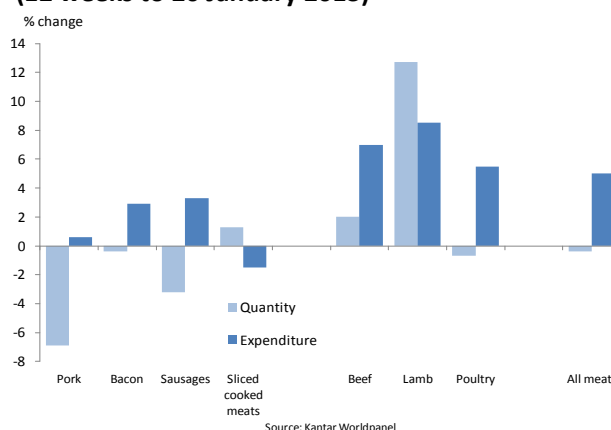
Average GB retail prices for selected meat products (p per Kg)

	4 wk to 25/11/12	4 wk to 23/12/12	4 wk to 20/01/13	Change Y-o-Y
Fresh/frozen pork	529.1	550.3	552.6	+8.7%
Bacon	611.5	641.1	627.5	+4.1%
Pork sausages	363.7	420.1	412.4	+12.5%
Pork sliced cooked meats	860.9	905.0	902.3	-0.3%
Fresh/frozen lamb	857.3	807.0	833.2	-8.8%
Fresh/frozen beef	690.1	725.1	717.8	+3.7%
Fresh/frozen poultry	461.2	497.1	494.0	+11.2%
All fresh/frozen meats	563.3	589.4	589.2	+6.6%

Over the same period, spending on bacon was also higher than last year, again driven by price rises. Premium bacon sales grew due to new product launches from some major retailers. However, value bacon also recorded growth, with standard tiers losing out. The recent trend for sausages continued, with a three per cent increase in spending and a decline in volume purchases. Fewer Y for £X deals may have impacted on volumes. Sliced cooked meats continued to record volume growth, driven by ham in particular. However, due to lower average prices, expenditure on ham fell two per cent.

In the 4 weeks to 20 January 2013, the decline in volume purchases of pork accelerated to 13 per cent and so, despite average price rises, spending also fell. Bacon purchases remained static with rises in average price again boosting spending figures. The decline in purchases of sausages accelerated to nine per cent while sliced/cooked ham also declined compared with last year, influenced by a dip in purchase frequency and household penetration.

Annual percentage change in retail meat purchases (12 weeks to 20 January 2013)



According to data from NPD Crest, the total foodservice market remained relatively sluggish during 2012. Total out of home sales increased less than one per cent to £50 billion, with growth coming from increased prices. Traffic levels remained fairly static, suggesting the recessionary decline in visits may have levelled off. There were bright spots in the industry. Sales at quick service restaurants (QSRs) were up by two per cent, boosted by an increase in traffic levels and in the average number of items bought. Sales and visits to pubs were fairly static but in the final quarter sales and visits both increased slightly.

One key trend is the growth at breakfast, with visits up by over eight per cent since last year. High street operators are expected to focus heavily on this meal in the coming year. Pizza/Italian restaurants also continued to grow, as did coffee shops, now expanding into lunch and dinner. The sandwich category also reported strong growth, which is expected to continue into 2013. Meanwhile, visits to full service restaurants were down two per cent, although this sector did see breakfast visits increase compared to last year, proving there are areas in which to grow.

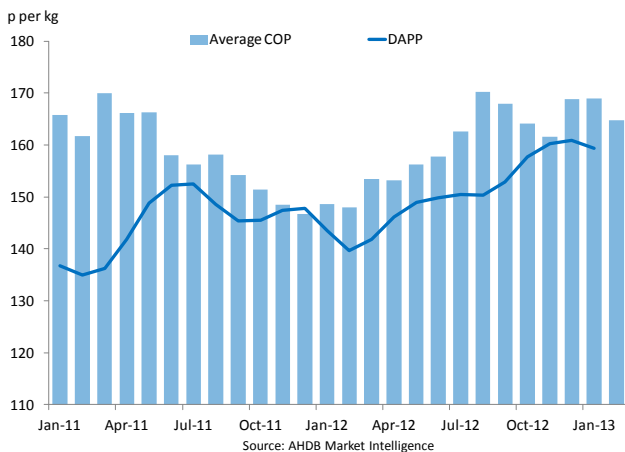
At a topline level, proteins performed well. In particular, there were an extra 50.8 million servings of pig meat compared with last year, with most of these gains coming from the QSR sector. As a result, it made up 28 per cent of all protein servings, making it the most popular protein out of the home. It remained the cheapest protein meal, due to the breakfast focus, with an average meal costing £4.34, a slight decline on 2011.

The products driving the increase in servings were bacon, bacon sandwiches and sausages, which all did particularly well in QSRs. Bacon sandwiches posted the largest growth, with servings up by 23 million. These pork products are clearly benefiting from the growing breakfast trend. On the other hand, servings of fresh pork main dishes and ham sandwiches, traditionally consumed at other occasions, declined. Within pubs, pork roasts and bacon servings both increased, helping to boost total pub pork servings.

Costs of production

According to AHDB's provisional estimates, the average cost of pig production in February is just under 165p per kg, around four pence lower than in January. This is largely the result of a fall in prices for compound pig feed, with both cereal and oilseed prices easing somewhat since the New Year. Nevertheless, production costs remain high by historic standards, being only around 5p per kg lower than the record level recorded last summer. The February estimate is around 17p higher than a year earlier, equivalent to an extra £13.50 to raise a pig to slaughter weight.

Total cost of pig production compared with the DAPP



With the pig price falling at a similar rate to the drop in production costs, producers remain in a loss-making position. Based on the current level of the DAPP, producers are losing around £7 per pig during February, similar to the average loss during 2012. Cumulative industry losses since the start of 2012 are now estimated at around £70 million. Forward feed quotes suggest that the cost of production will remain well above the recent level of pig prices until after the harvest. Thereafter, the situation may improve but this will depend on global weather conditions and on pig prices remaining high.

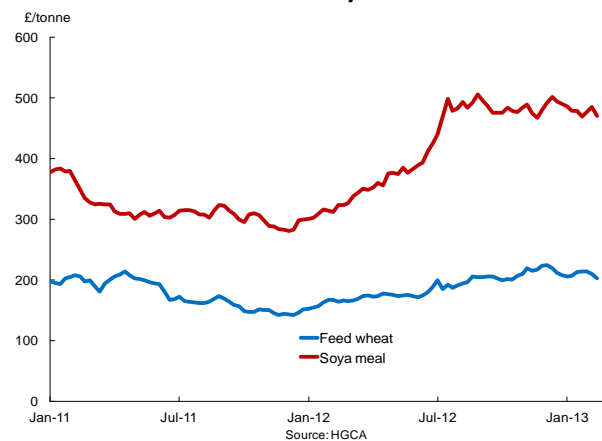
London feed wheat futures (May-13 contract) fell by £7.75 per tonne during the month, closing at £207.00 per tonne on Tuesday 19 February. US maize futures (March-13) were worth \$273 per tonne on the same day, down by \$9 on a month earlier. Despite the fall in the contract price, in sterling terms the price has dropped by just 50p per tonne as the weaker pound negated the fall.

Defra's UK supply and demand estimates were released at the end of January. The forecasts showed 2012/13 UK wheat availability up 95Kt to 16.9Mt compared to November's estimate, although remaining below last season's 17.7Mt. This was mainly as a result of an increase in UK wheat imports, as millers continue to deal with poor UK wheat quality. UK compounders are using more barley and imported maize in feed, as it continues to be more competitive than wheat. December usage data showed the highest monthly

wheat imports on records going back to July 1992, at 306Kt.

The South American maize harvest has started in the major producers of Brazil and Argentina. Harvested areas are relatively small and yields so far are indicative and may not represent the full crop. In the latest USDA report world maize ending stocks were increased 2.05Mt to 118.0Mt due to increases in the US, Brazil and Mexico. Production was increased as a result of better area and yield prospects in Brazil, Mexico and the FSU which offset a decline in Argentina. In addition, demand was reduced in the feed sector mainly due to lower usage in Brazil. However, the EU is expected to use more maize for feed.

Prices for feed wheat and soya meal



Oilseed prices have risen slightly from last month and at close on 19 February nearby CBOT soyabean futures were worth \$540.17 per tonne, up \$12 on the month. Domestic rapeseed values have been supported by a weaker pound, exacerbating the rises in oilseed prices abroad. UK imported Hi-Pro soyameal was available for £358 per tonne from the east coast on Friday 15 February, an £8 gain compared with a month earlier. The USDA increased world ending stocks due to higher production and lower crushing demand.

South American weather has been driving the market as a lack of rain in Argentina cut crop prospects, although favourable weather in Brazil has pushed forecasts higher there. According to Celeres, 19 per cent of the Brazilian soyabean crop has been harvested, well ahead of the 10 per cent expected at this time. Nationally, 59 per cent of the anticipated harvest has been forward sold, although in the main producing region of Mato Grosso this is up to 72 per cent. Over a five year average it would be expected that 43 per cent of the crop would be sold by now. This reflects the tight supply within the market and the reliance on South American soyabeans almost as soon as they become available. In less than six months of the season, 93 per cent of forecast US exports have now been sold.

FOCUS ON: Outlook for UK Pig Meat Supplies

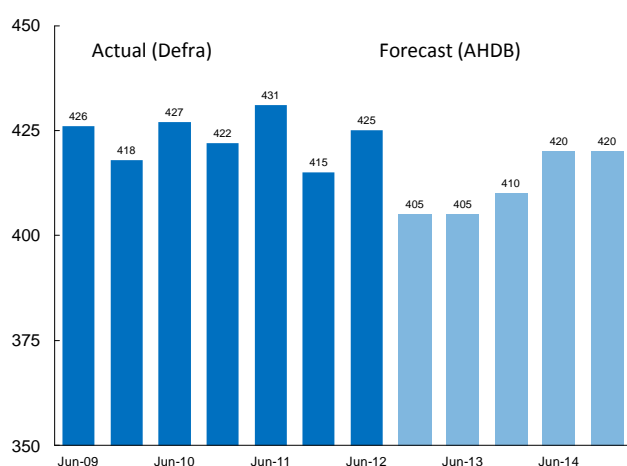
Latest AHDB/BPEX pig meat supply forecasts were published earlier this month at the annual AHDB Outlook Conference. This article provides a detailed commentary on those forecasts. A summary of the Outlook Conference, along with copies of the presentations can be downloaded by [clicking here](#).

The latest figures for the size of the UK pig herd come from the 2012 June Survey of Agriculture and Horticulture. At that time, the pig herd totalled 4.48 million head, one per cent higher than a year earlier. However, the active female breeding herd was slightly smaller than in June 2011 at 425,000 head, although an increase in the number of maiden gilts meant that the overall situation remained one of stability.

Since June, the fortunes of the UK pig industry have changed significantly. At the start of June, nearby UK feed wheat futures were trading at around £175 per tonne. By the end of August, this had risen to over £200 per tonne and in December it reached around £225 per tonne. This increase meant that, according to AHDB estimates, the cost of pig production rose from 158p per kg in June to 170p in August and remained around 169p at the end of 2012.

As a result, and despite pig prices rising to record levels, most producers were facing substantial losses. Many decided to quit the industry or to reduce their herd sizes. Until the results of the December census are published, likely to be in early March, it is impossible to quantify the impact of these decisions. However, AHDB estimates suggest that over 15,000 more sows were culled between June and November than in the same period of 2011.

UK pig breeding herd trends

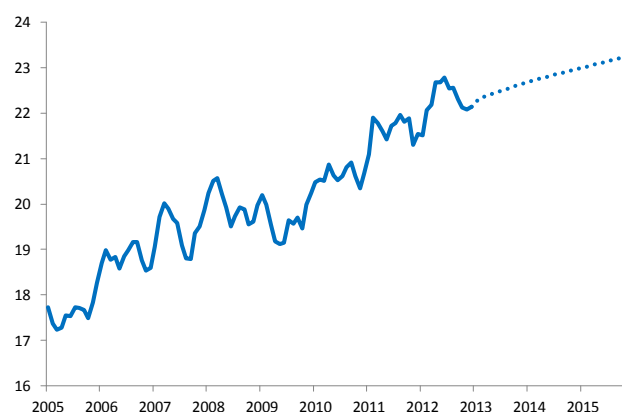


This suggests a decline of 20,000 head in the breeding herd between June and December might be realistic. This is backed up by figures for compound feed production, which show a five per cent year-on-year fall in sow feed during the final quarter of 2012. In contrast, production of other feed formulations was higher.

During the final quarter of 2012, GB pig prices reached record levels, passing 160p per kg for the first time. However, this remained well below the cost of production, meaning that producers were still losing money. In this environment, there is unlikely to be any herd expansion, although higher prices may prevent a further decline. If feed prices ease post-harvest and pig prices remain strong then some modest expansion might begin in the second half of this year.

With a stable breeding herd, increases in clean pig slaughterings in recent years are down to improved sow productivity. This trend has continued, with the number of pigs slaughtered per sow in 2012 averaging 22.3, compared with 21.7 in 2011. Further productivity improvements are likely in future years, although the rate of improvement may slow somewhat.

Trends in productivity in the UK sow herd



Source: AHDB Market Intelligence

The increased productivity meant that clean pig slaughterings passed 10 million head in 2012 for the first time in a decade. However, the decline in the breeding herd would mean that the upward trend in slaughterings recorded since 2009 will reverse. For 2013 as a whole, the number of clean pigs slaughtered in the UK is forecast to be around 9.83 million head, two per cent lower than in 2012 and about the same level as 2011.

Actual and forecast UK pig slaughterings

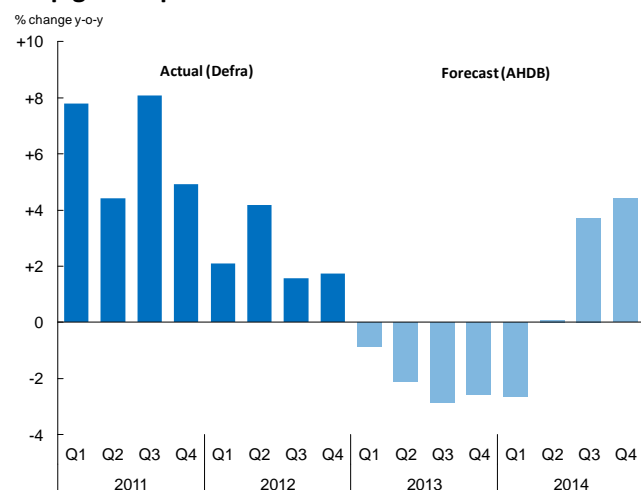
	Clean pigs			Sows and boars		
	2011	2012	2013	2011	2012	2013
000 head						
Quarter 1	2,420	2,478	2,452	65	65	65
Quarter 2	2,337	2,427	2,377	61	62	62
Quarter 3	2,490	2,525	2,461	60	71	61
Quarter 4	2,566	2,604	2,541	64	66	62
Year	9,813	10,034	9,831	250	265	249

Source: Defra, AHDB. Figures in bold are forecasts

As discussed above, high feed prices in the second half of 2012 led to increased levels of culling of adult breeding pigs. Since finished pig prices increased (and cull sow prices fell), throughputs have returned to more normal levels. Assuming that margins do not worsen significantly, it seems likely that cullings will remain close to seasonal norms during 2013.

The increase in feed prices also led to lower carcase weights for clean pigs in the autumn as producers marketed pigs early to mitigate rising costs and improve cash flow. Again, the rise in pig prices led to carcase weights returning to normal levels and this is expected to remain the situation through the remainder of 2013. As such, the long-term upward trend in carcase weights is not expected to resume.

UK pig meat production and forecasts



With only limited changes in sow slaughterings and carcase weights, the fall in clean pig slaughterings will be the main driver of changes in pig meat production, which is, therefore, also forecast to reduce by two per cent in 2013. Looking further ahead, the expected recovery of the breeding herd, combined with further productivity gains, are expected to lead to a return to production growth in the second half of 2014.

At the same time as UK supplies are tightening, pig slaughterings in the EU are also likely to be reducing.

This is already starting to happen, with EU throughputs down around two per cent during the first 11 months of 2012. Most forecasters expect this decline to

continue, with the EU Commission predicting a three per cent fall in 2013, with the largest drop in the second half of the year.

However, the situation in the EU is complicated by the implementation of new welfare regulations, including the partial ban on sow stalls, from the start of the year. Latest figures suggest that most EU Member States had failed to comply with the regulations by the deadline. At the time of writing, there is considerable uncertainty about how quickly the remainder will progress towards compliance and what the impact on the market will be.

During the first 11 months of last year, UK pig meat imports were slightly higher than in the equivalent period of 2011. This has been driven by increased shipments of processed pig meat as consumers continued to trade down to cheaper products. This offset small declines in pork and bacon imports. However, with supplies across Europe set to be tighter in 2013, it seems unlikely that this upward trend can be maintained. Therefore, overall pig meat imports are likely to be lower than in 2012, with pork and bacon shipments expected to fall further.

UK pig meat exports in 2012 were marginally higher than the previous year and were strongest in the final quarter as rising shipments to China added to robust demand from the EU. There is considerable uncertainty about developments into 2013. Lower production would suggest that there will be less pig meat available for export. However, with tight supplies elsewhere, demand will be strong. The net result may be little change in volumes for the year as a whole, with a modest rise in the first half of the year offset by a similar fall in the second half.

The balance of production, imports and exports suggest that there will be a significant fall in supplies available for consumption in the UK during 2013. This suggests a decline in retail sales is likely, already reflected in figures for the first few weeks of the year. This, in turn, suggests further increases in retail prices might be expected, although this will depend on consumer confidence, which currently remains low.

000 tonnes (cwe)	2011	2012					2013				
	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year
Production	805	206	198	206	214	825	203	194	201	209	807
Imports	960	235	232	243	269	980	230	225	230	250	935
(Fresh/frozen)	(410)	(90)	(92)	(98)	(105)	(385)	(85)	(85)	(90)	(95)	(355)
(Bacon)	(328)	(76)	(67)	(75)	(82)	(300)	(75)	(65)	(70)	(75)	(285)
(Processed)	(223)	(69)	(73)	(71)	(82)	(295)	(70)	(75)	(70)	(80)	(295)
Exports	207	51	44	53	62	210	55	45	51	59	210
Available for consumption	1,558	390	386	396	421	1,595	378	374	380	400	1,533

Source: Defra, AHDB. Figures in bold are forecasts

Other industry news

Only 10 Member States compliant with sow stall ban

According to the latest figures released to the EU Agriculture and Fisheries Council, only ten Member States are fully compliant with the partial ban on sow stalls, which came into force at the start of the year. Furthermore, they were mostly smaller countries and together they only account for 12% of the EU breeding herd. Another ten countries reported compliance rates of over 90% but there were seven Member States where at least 10% of producers had failed to convert. This included four of the top six suppliers of pork to the UK: Belgium, Ireland, Germany and France.

Pig farm incomes cut by half during 2012/13

DEFRA recently published provisional estimates of farm business incomes, equivalent to net profits, for 2012/13. The figures show that average incomes for specialist pig farms are expected to fall by half to £19,000. Similar falls are estimated for grazing livestock and dairy farms. Arable, poultry and mixed farms are thought to have fared better, although no farm types had higher incomes in 2012/13 than in 2011/12.

Census figures confirm decline in EU breeding herd

Eurostat have now published December pig census figures from 19 Member States which between them account for over 80% of the EU breeding herd. The figures show that over the previous year, the EU breeding herd declined by over 4%. Only Slovakia recorded an increase, while the Czech herd was stable. Elsewhere, declines ranged from 1% in Denmark to 21% in Slovenia. The figures also show that the overall pig herd was down by nearly 2%. The contraction in the EU herd confirms that pig supplies are likely to be tight through 2013, particularly in the second half of the year.

Russian pork imports higher but not from the EU

Russian imports remained strong in 2012 as total volumes of pork increased by 10%. Canada displaced Brazil as the leading supplier, taking advantage of the Russian ban on imports from some Brazilian regions, with the US the other major beneficiary. Brazilian shipments reduced by 8% for the whole year but had substantially recovered by the second half of the year. Pork imports from the EU were down by 14%, with its market share falling from just over half to 40%. Russia's

recently announced ban on some fresh meat imports from Germany may lead to further falls in EU supplies. However, there may be opportunities for other Member States given the similar restrictions imposed on the US.

Production of compound feed rising but breeding pig feed down

Latest figures from Defra show that the amount of compound animal feed produced in the final quarter of 2012 was 6% higher than a year earlier. This partly reflects increased use of bought-in feed for ruminants but overall production of pig feed was up by 3%. In contrast, production of breeding pig feed was down 4% year on year. This is consistent with other evidence suggesting a fall in the breeding herd since the summer. The figures also show a reduction in the use of wheat within compound animal feed in the final quarter, compensated for by increased use of barley, oats, maize and by-products. Similarly, soya meal and sunflower meal have been replaced by cheaper alternatives such as rape meal and sugar beet pulp.

Chinese import growth slowing

Following two years of very strong growth, Chinese pork imports increased by just 12% between 2011 and 2012, to 522,000 tonnes. Imports in the final quarter fell to their lowest level of the year and were more than 40% down on the same quarter of 2011. US volumes were down by a quarter for the year as a whole, although it remained the leading supplier. In contrast, imports from the EU were up by nearly two-thirds. By the fourth quarter, the UK accounted for a 3% market share, with shipments of 3,700 tonnes. During the year, Chinese offal imports fell by 5%. Again, EU shipments rose sharply, up by nearly a third for the year as a whole.

US pork exports hit new record in 2012

In 2012, the US exported 6% more pork compared with the year before. However, in the final quarter, US exports contracted by 7%. Shipments to the major Asian markets, Japan, China and South Korea, were considerably down on the year. In contrast, shipments to other key buyers increased. Volumes sent to Mexico were 43% higher while the Canadian market purchased 8% more. Similarly, demand from Russia was higher by as much as 41%. Latest USDA forecasts suggest that overall US pork exports will remain at similar levels in 2013.

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