Pig Market Trends

September 2013, Issue 100

Key messages

Producer prices

Pig prices ease back during August but begin rising again in September, hitting new record highs.

Average weaner price in August at three year high but market finely balanced over summer.

EU pig prices strong through August, peaking above last year's high, but dropping back in September.

Slaughterings and production

UK August clean pig slaughterings down on year earlier and sow kill well back as feed prices lower.

EU pig supplies remain tight during June and July, with most Member States killing fewer pigs.

Trade

UK pork exports again strong in July, driven by Greater China and smaller EU markets.

UK July pork imports slightly down but cured shipments up, partly on shift in Danish supplies.

Retail sales and prices

Overall fresh meat sales hit by hot weather over the summer, with roasting joints hit particularly hard.

Sales of barbecue products, notably burgers/ grills, and picnic items, such as ham, higher during heat wave.

Costs of production

Pig production costs still falling as feed prices ease, with better productivity and feed efficiency also contributing.

Cereals prices still falling but soyameal market more volatile, encouraging South American soya plantings.

UK and EU pig numbers

Census figures from England & Northern Ireland show fall in breeding herd in year to June but unexpected large rise in herd overall

EU breeding herd drops further in year to June, with big falls in German and Spanish sow numbers.

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Key data

	Aug-13	Change since Jul 13	Change since Aug 12
GB DAPP (euro-spec) – p/kg dw	167.90	-0.65	+17.50
Average GB carcase weight – kg	79.13	+0.29	+1.25
30kg weaner price - £/head	53.66	+0.11	+14.36
GB cull sow price – p/kg dw	na	na	na
EU Reference price – €/100kg dw	190.07	+8.98	+10.44
UK Reference price – €/100kg dw	190.62	-0.53	+4.22
UK weekly clean pig kill – 000 head	192.7	-0.3	-2.5
UK weekly pig meat production – 000 tonnes	15.8	+0.0	-0.1
UK pork imports – 000 tonnes*	28.8	-1.8	-1.0
UK bacon imports – 000 tonnes*	20.5	+1.8	+0.4
UK pork exports – 000 tonnes*	15.0	+1.9	+2.8
Retail pig meat sales – 000 tonnes†	51.2	-2.6	-3.2
LIFFE feed wheat futures - £/tonne	156.72	-7.19	-42.02
CBOT Soyameal futures - $/tonne	428.43	-50.87	-102.96

** Figures relate to July 2013*
† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 18 August 2013

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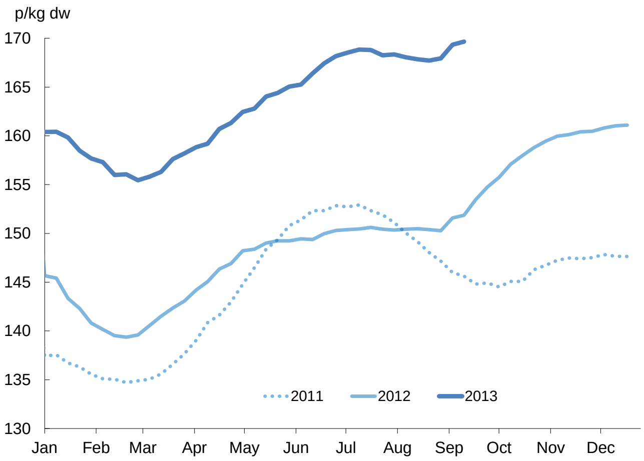
Producer prices

GB finished pig prices eased back slightly during August, resulting in the average DAPP during the month falling slightly to stand at 167.90p per kg. This was 0.65p lower than the figure for July but was 17.5p higher than a year earlier. Falling prices are normal at this time of year as demand drops during the holiday season. The good weather this year also contributed by reducing demand for certain higher-value cuts. Despite this, tight supplies and high prices in the rest of the EU limited any falls. Into early September, prices began to increase again as the end of the holiday season raised demand, while supplies were still relatively tight and EU prices remained firm. By week ended 14 September, the DAPP had risen to a new record high of 169.67p per kg.

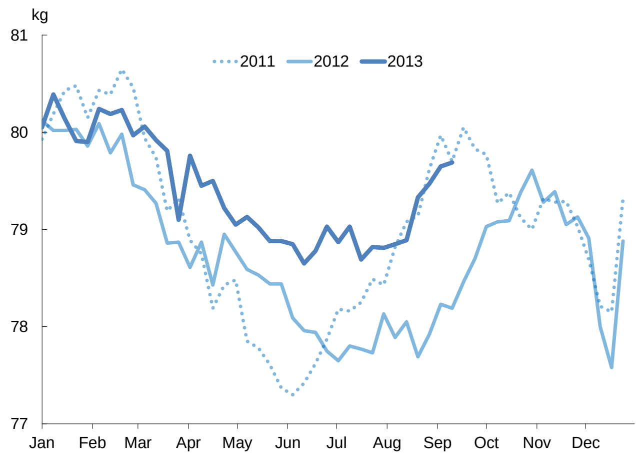
GB finished pig prices (DAPP)



Source: AHDB Market Intelligence

Carcase weights continued to track well above last year's levels throughout August and early September. The average weight of pigs in the DAPP sample during August was 79.13kg, over a kilo higher than last August, although similar to the average for August 2011. Last year, weights were suppressed as producers marketed pigs earlier to mitigate the higher feed prices. One consequence of the higher weights is that back fat levels have also been higher, with the average probe measurement of 11.1mm the highest monthly figure since January 2012.

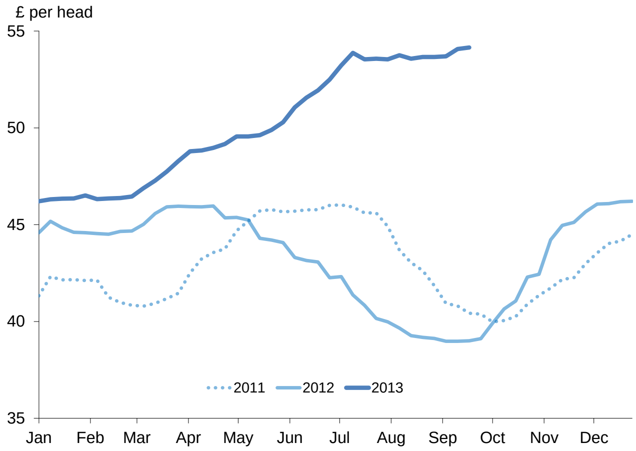
Average carcase weights for GB finished pigs



Source: AHDB Market Intelligence

The weaner market remained finely balanced during August, despite feed prices continuing to fall. The price stood between £53 and £54 per head from mid-July until mid-September, with the average price during August £53.66 per head, a few pence higher than in July. Despite the flat market, this was over £14 higher than last August and the highest monthly average since June 2010. July's hot weather slowed growth rates, limiting the number of places available with finishers during August. With this situation easing somewhat into September, prices edged up slightly to reach £54.15 per head for week ended 21 August.

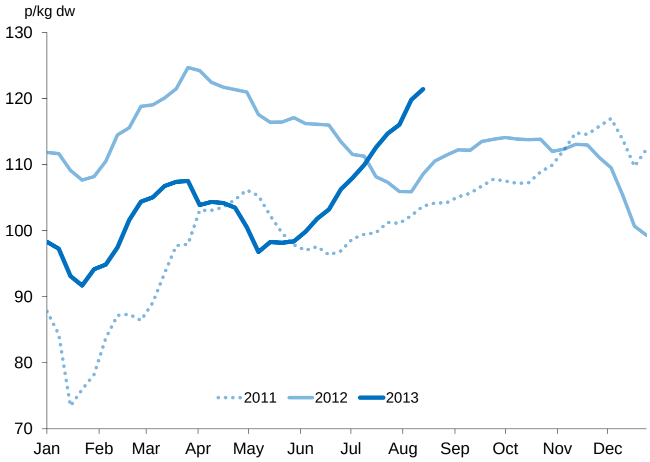
GB 30kg weaner prices



Source: AHDB Market Intelligence

With one of the leading cull sow abattoirs temporarily ceasing the killing of sows during August, it has not been possible to publish an average GB cull sow price since week ended 17 August. At this time, the price stood at its highest point of the year to date of 121.44p per kg. This followed a steady rise since mid-May as prices mirrored developments in the EU market. Reports suggest that prices continued to rise until the end of the month but then began to fall back as EU supplies increased, leading to a drop in prices on export markets.

GB cull sow prices



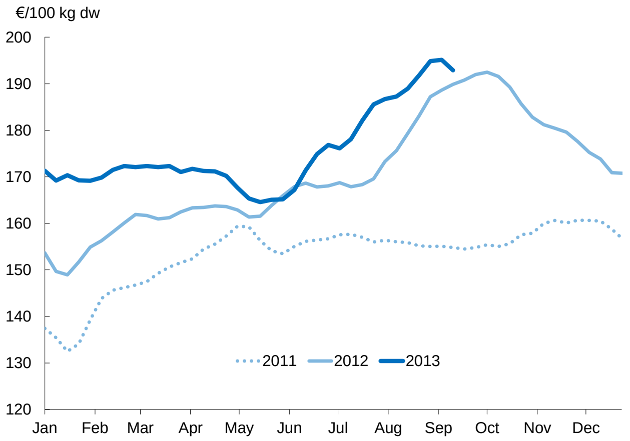
Source: AHDB Market Intelligence

Great Britain pig prices

	DAPP Euro-spec (p/kg)	DAPP UK -spec (p/kg)	Ave. Carcase Weight (kg)	Ave. P2 Probe (mm)	30kg Weaner Price (£/ head)	Cull Sow Price (p/kg)
Jun-13	166.79	163.79	78.82	11.0	51.77	102.62
Jul-13	168.55	165.52	78.84	11.0	53.55	112.29
Aug-13	167.90	164.88	79.13	11.1	53.66	n/a
31-Aug	167.95	164.93	79.47	11.2	53.66	n/a
07-Sep	169.35	166.30	79.65	11.2	53.70	n/a
14-Sep	169.67	166.62	79.69	11.3	54.08	n/a

EU prices began rising steadily in May and this trend continued throughout August, with prices peaking in the first week of September at €195.48 per 100kg, their highest level since 2001. The average EU reference price during August was €190.07, around nine euros higher than in July and ten euros up on August 2012. It was only marginally lower than the average price in September 2012, which was the second highest monthly figure on record. EU demand has been strong, with good weather encouraging barbecue demand in northern Europe, adding to tourist demand in the south. In addition, export demand, notably from Russia and China, has remained firm. At the same time, lower numbers of pigs were available following the falls in the EU sow herd recorded around the turn of the year when new welfare regulations came into force. With reports suggesting supplies were somewhat more plentiful, particularly in Germany, prices began to fall back in September, reaching €192.91 for week ended 14 September.

EU Average Pig Reference Price

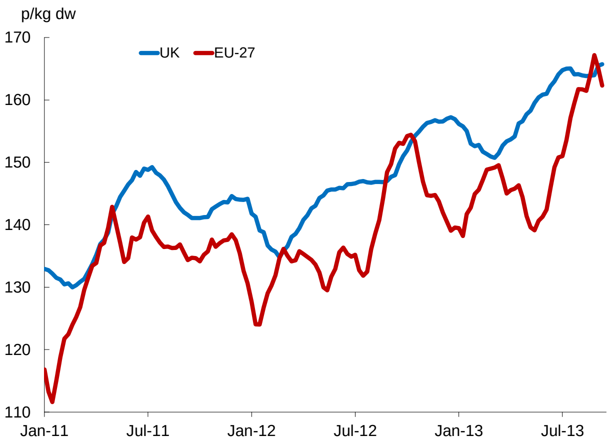


Source: EU Commission

Prices in August were higher than in July in nearly all Member States. German prices rose by seven per cent month on month, as did those in neighbours the Netherlands and Belgium. Most other major producers recorded increases of between three and five per cent. In early September, prices began to ease back in northern Member States, with the German reference price dropping nine euros in the first two weeks of the month. However, further south prices were stable or still increasing.

The UK was one of few countries to buck the rising trend in August, meaning its reference price averaged only slightly higher than the EU one during the month; in May the UK premium was over €20 per 100kg. In mid-August, the EU price briefly overtook the UK one for the first time this year until the fall in the EU price in early September.

Comparison of UK and EU pig reference price



Source: AHDB Market Intelligence, EU Commission

EU weaner prices have edged higher since May at a time of year when they would normally be falling. Although the movement hasn't been dramatic, it indicates that there is still demand for weaners given lower feed prices and a strengthening finished pig market. The average price during August was €46.88 per head, up just under a euro since July and over four euros higher than a year earlier. Prices gained a little extra momentum in the second half of August and into September, reaching €48.67 per head for week ended 14 September.

EU cull sow prices have broadly followed the trend of the finished pig market, as is typically the case. Prices in most Member States follow the trend set by Germany. Its M1 sow price rose by 12 cents between July and September to stand at €1.50, the highest monthly average since November 2012. The price reached a peak of €1.57 at the end of August before easing back a cent in the second week of September. Danish sow prices increased even more rapidly, narrowing the gap to the German price to its lowest level since early 2012.

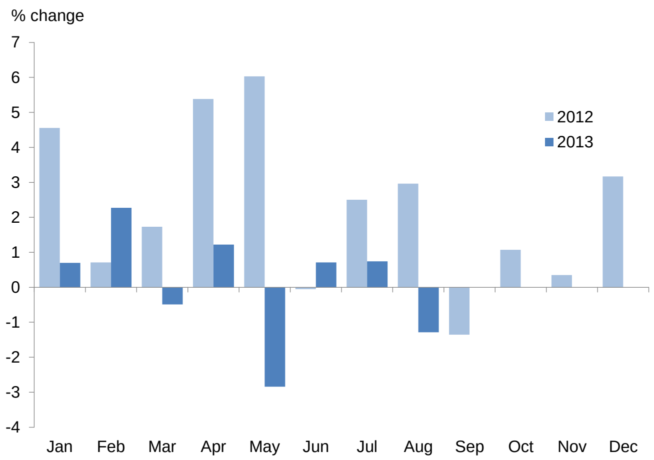
Pig Reference Prices in selected EU Member States (€ per 100kg)

	Nov-12	Dec-12	Jan-13	02-Feb	09-Feb	16-Feb
Denmark	154.16	159.75	165.69	169.45	169.46	169.48
France	163.63	172.58	180.03	185.00	190.00	189.00
Germany	170.82	177.84	189.82	196.70	194.10	187.45
Italy	173.82	195.59	208.98	214.23	220.08	226.71
Netherlands	155.02	161.32	172.17	178.58	178.43	170.98
Poland	172.89	179.81	187.97	192.81	193.04	188.89
Spain	191.54	203.76	213.26	217.10	217.03	216.39
UK	190.58	191.14	190.62	191.14	195.67	197.00
EU average	172.08	181.09	190.07	194.88	195.48	192.91

Slaughterings and production

UK pig supplies remained somewhat tight in August, with total slaughtering at 770,900 head. This was one per cent down compared with the same month in 2012. The shortfall was exacerbated as a result of disruptions at individual processing plants for two weeks during the month. England and Wales throughputs were again up year on year, by four per cent, following the plant closure in Scotland last year. The number of pigs that entered abattoirs in Northern Ireland came down by one per cent on the year.

Annual change in UK clean pig slaughterings



Source: DEFRA

The number of sows and boars culled in August was down 11 per cent on a year earlier. At, 18,800 head, this was almost 2,300 lower compared with August 2012 despite higher export demand. Last year, cullings were inflated in response to the high feed prices at the time. Total adult pigs slaughtered in the first eight months amounted to 172,400 head. This was 2,800 head lower than the January and August period last year, despite numbers having been a little higher in the first half of the year.

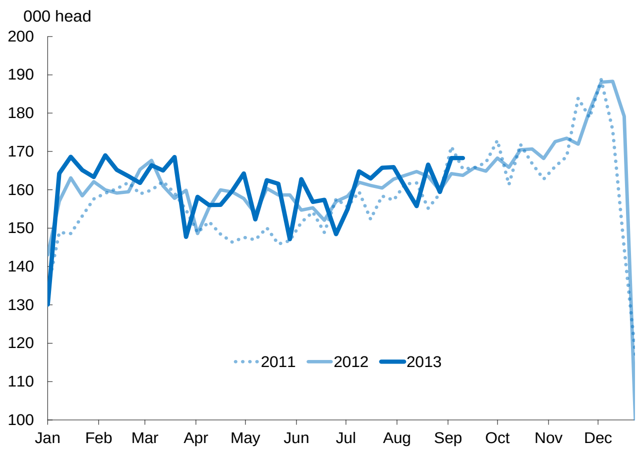
	Clean pig slaughter (000 head)	Pig meat production (000 tonnes)
Jun 13	744.3	61.1
Jul 13	964.9	79.1
Aug 13	770.9	63.4
% change Aug 13/Aug 12	-1.3%	-0.8%
Jan-Aug 2013	6658.1	550.5
% change 2013/2012	+0.2%	+0.8%

** 5-week month*

As has been the case all year, clean pig carcase weights were higher in August than a year earlier. On average, pigs were about 900g heavier compared with the same month last year. Feed prices have eased from their high levels during the second half of 2012 and this has encouraged producers to add the extra weight onto their pigs. The net result was that pig meat production in August totalled 63,400 tonnes, marginally down on the previous year. Cumulative production for the first eight months was just under one per cent above 2012 levels at 550,500 tonnes.

Based on the DAPP sample, estimated GB clean pig slaughterings in the first two weeks of September were almost three per cent higher than the same weeks last year. Despite this, supplies are likely to remain tight in the remaining months of the year, due to the decline in breeding herd last year.

Estimated weekly GB clean pig slaughterings



Source: AHDB Market Intelligence

EU pig slaughterings in June totalled 18.8 million head, four per cent lower than a year earlier and the smallest monthly kill since the expansion of the EU in 2004. With one working day fewer than last June, however, the underlying position is a more modest tightening of supply. Overall, throughputs in the second quarter of the year were down only marginally, with a one per cent fall for the year to date. With carcase weights averaging slightly higher than last year, monthly pig meat production was down by a bit less than four per cent, although June's output was still the lowest since August 2009.

Throughputs in June were lower across most major producing Member States, although the UK, Italy and Romania recorded increases. In line with trends from earlier in the year, the Polish kill fell most sharply, being down nine per cent year on year. Most other leading producers fell by between three and seven per cent. German throughputs were down four per cent in June but were still one per cent higher for the first half of the year. Belgium and Italy were among other countries recording increases for the year to date.

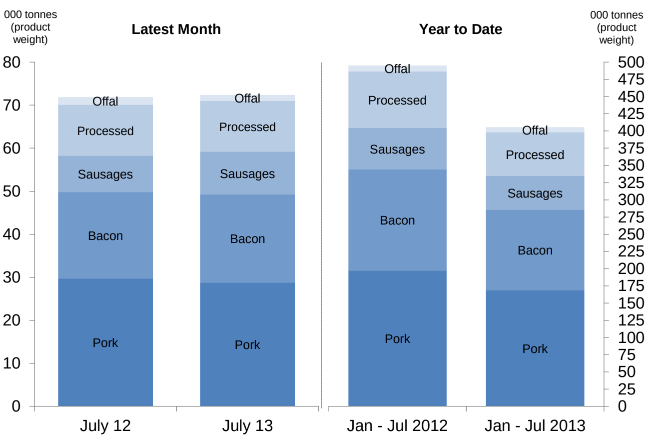
Slaughtering figures for July are available from countries accounting for around 60 per cent of the EU total and indicate that supplies remained tight. An extra working day meant that numbers were up four per cent on July 2012 but this equates to a modest fall when the extra day is taken into account.

Trade

Latest figures published by HMRC show that UK pork imports in July were down three per cent on the year, at 28,800 tonnes. This was partly a result of lower demand during the hot weather experienced in July, combined with steady production in the UK. Germany maintained its position as the primary supplier from last July, with a year-on-year increase of 10 per cent; at 6,900 tonnes imports from the country were 2,500 tonnes higher than in July 2011. Dutch pork into the UK was up by almost a quarter on last July but a 25 per cent reduction in Danish supplies more than offset these increases. Imports from Ireland were down by six per cent compared with July 2012.

The decline was confined to fresh/chilled pork, with frozen volumes 14 per cent higher than last July. A 10 per cent increase in unit prices meant that the value of UK imports in July was seven per cent higher than a year earlier. Despite July's fall, at 168,900 tonnes year-to-date pork imports were up marginally compared with the first seven months of 2012.

UK Pig Meat Imports



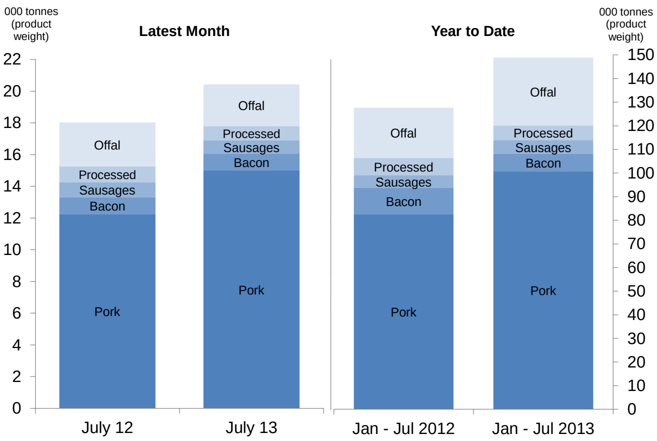
Source: Her Majesty's Revenue & Customs

In contrast, bacon and ham imports increased by two per cent on the year at 20,500 tonnes. Shipments from some of the key markets were down, with the Netherlands and Germany reducing volumes sent to the UK by 12 per cent. Together, the two countries contributed 47 per cent of total cured imports. However, this decline was offset by a 19 per cent rise in Danish supplies. This may suggest a change of approach for Danish exporters, switching from shipping fresh pork, some of which will have been cured in the UK, to curing product prior to export.

Sausage imports during the month increased by 18 per cent year on year to 9,900 tonnes, the highest monthly total since November last year. However, so far this year, sausage imports have fallen by two per cent compared with January to July 2012. Other processed pig meat imports were almost unchanged at 11,800 tonnes in July this year. This was a result of contrasting trends from the main suppliers. The shortfall created by a 21 per cent reduction in Irish products was filled by higher shipments from Poland and Denmark.

UK pork exports, on the other hand, rose sharply at 15,000 tonnes, a year-on-year increase of 23 per cent, continuing the trend of the year to date. Germany remained the main market for the UK but purchases fell three per cent on the year, although exports of carcases, mainly sows, to German manufacturers were three per cent higher. Ireland imported 10 per cent more UK pork but growth was mainly driven by increased frozen exports to Greater China. Total pork exports to China and Hong Kong were up by more than three-quarters. There was also good growth from several smaller European markets. With unit prices up four per cent, the value of UK pork exports during the month was up by more than a quarter year on year, at £17.9 million.

UK Pig Meat Exports



Source: Her Majesty's Revenue & Customs

Bacon exports in July suffered on the back of lower demand from Ireland, which is the main market for UK bacon. This was largely offset by higher shipments to Spain and other small markets but volumes were down two per cent overall at 1,100 tonnes. A similar trend was recorded for UK sausage exports, with supplies 11 per cent lower on the year and other processed shipments were also lower, by 10 per cent, at 900 tonnes.

Pig offal exports weakened in July, down five per cent from the same month in 2012. While demand from China, Hong Kong and Thailand was firm, exports to other EU countries suffered. Shipments to the Netherlands and Ireland were down by 50 per cent and 32 per cent respectively, while Belgium and France, which had a 15 per cent market share between them last July, took no UK offal this year. Overall supplies to the continent were 37 per cent lower compared with the same month last year.

EU trade data for July have not yet been published and will be reported in next month's edition of Pig Market Trends.

Retail sales and prices

This summer's weather was something for most people to celebrate compared to last year's washout. It may have had a positive impact on some, but what did the hot weather do for meat sales?

In the middle of July, temperatures soared in a prolonged heat wave. The hot weather helped boost consumer confidence and a number of British sporting successes fuelled the celebratory atmosphere, despite the continued squeeze on budgets. In typical summer weather consumers tend to switch to barbecues and lighter meals that don't involve extensive cooking.

In the 12 week period to 18 August, which covers the best of the weather, the value of the total grocery market increased by four per cent compared with last year, according to figures from Kantar Worldpanel. Most of this growth can be attributed to price increases. Over the same period, volume sales grew by less than one per cent. Unsurprisingly, ice cream and soft drinks recorded strong growth compared with last year, while evidence of altered menus is apparent in poor performance for savoury and sweet cooking categories.

Traditional red meat sales did not perform well, a trend seen in other hot summers. Roasting joint sales suffered particularly, with longer cooking times and winter associations. Fresh pork purchases fell eight per cent compared with last year, the largest decline seen so far in 2013. Leg, loin and shoulder joint sales declined the most, due to a combination of fewer shoppers purchasing and remaining shoppers buying less often. Sales of chops, steaks and belly cuts were also below last year. However, purchases of marinades, such as ribs, which are often associated with barbeques and warmer weather, were up, in volume terms, by 11 per cent.

Annual percentage change in retail meat purchases

Source: Kantar Worldpanel

Beef roasting joints were also heavily impacted, with sales of other beef cuts, including mince, also down on last year. Overall, fresh lamb sales were also behind last year, although leg roasting joints performed particularly well given the hot weather, making volume gains of nine per cent due to the continued high levels of promotion. However, in the latest four weeks, promotion levels have shown signs of easing and as a result volume sales were below last year.

In contrast, the popularity of the barbecue was back in force and spending on burgers and grills grew an impressive 16 per cent, with volumes up by seven per cent on last year's lacklustre performance. Beef burgers account for the majority of the market but lamb burgers/grills are becoming increasingly popular. Pork grills also recorded volume gains compared with last year. Although the category growth appears to show the horsemeat scandal has been forgotten, fresh and chilled products outperformed the frozen market and ready meals were still well down, suggesting consumers are still showing some shopping changes. Burgers and grills made gains from a number of other red meat products, affecting overall sales; when buying red meat, the average shopper buys just under 1kg but when buying burgers and grills the average purchase is only 0.5kg.

Despite being another typical barbecue product, sausages have not shown volume growth. Value sales, however, have been positive due to price rises. A fall in volume per trip and a reduction in the number of shoppers have driven the decline. Shoppers have been switching from standard to premium tiers, contributing to the rise in the price paid.

Aside from barbecues, picnics and light food such as sandwiches and salads tend to perform well in the heat. As a result, sliced cooked meats have shown positive sales in the last 12 weeks. Ham, beef and continental meats have all benefitted. Sausage rolls and pork pies had some success in the four weeks around the heat wave, making good volume gains. However, this was short lived and not enough to compensate for longer-term decline.

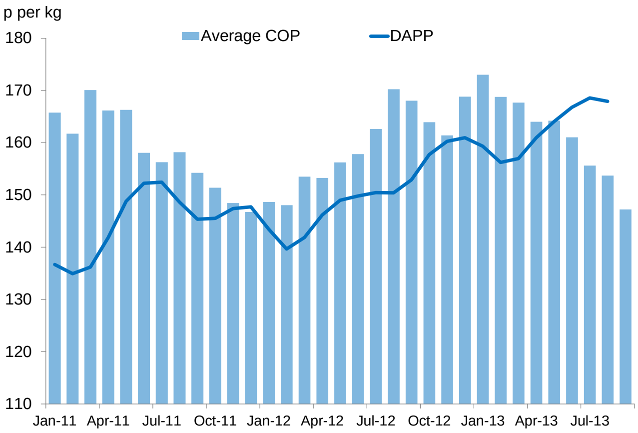
Despite the belief that consumers want to be able to purchase whatever they want regardless of the time of year, some seasonal behaviour changes do still exist. Tapping into these effects can produce good results. However, consumers are still looking for a good deal with value for money and will take advantage of offers in order to get this.

In the latest four weeks, after the main heat wave, trends were broadly similar across most major categories. Total spending on pork was down three per cent and the amount purchased was 10 per cent behind last year. However, leg joint purchases were up by 27 per cent, driven by promotions at the top three retailers.

Costs of production

Latest AHDB/BPEX provisional estimates show that the average cost of pig production fell further in September as spot feed prices continued to ease. During the month, costs were estimated to be 147.2p per kg, their lowest level since December 2011 and over six pence lower than in August. As well as the reduction in feed prices, a combination of increased sow productivity and better feed efficiency has reduced the amount of feed used to raise each pig.

Total cost of pig production compared with the DAPP



Source: AHDB Market Intelligence

With pig prices currently close to 170p per kg, most producers will be receiving more for the pigs they sell in September than they will be paying out for feed and other costs during the month. However, the pigs being sold during September will have been fed during a period when feed was more expensive. Estimates suggest that the lifetime cost of producing these pigs is around 10p per kg more than the quoted cost of production for September (which is based on the spot price for feed during the month). While this is still below the pig price, it emphasises that it will take some time for producers to recoup the losses they have experienced in recent years.

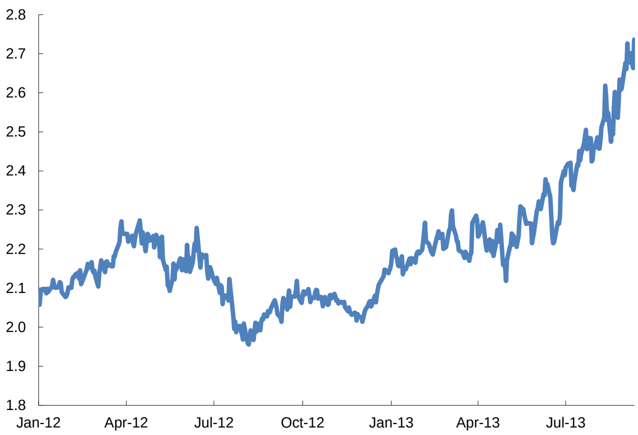
The UK feed wheat November 2013 futures price settled at £151.20 per tonne on Wednesday 18 September, a £2.35 tall on a month earlier. Global grain markets have generally declined on the back of limited weather events in the US which means that the anticipated bigger crops are increasingly likely to be harvested. The most recent confirmation of this came from the latest USDA world supply and demand report, where US maize yields were surprisingly revised higher despite some dry weather. As a result, the 2013/14 production estimate for US maize was increased to 351.6Mt, compared with 273.8Mt in the 2012/13 season.

Initial AHDB/HGCA cereal quality survey (CQS) results for wheat and barley showed generally better quality for both crops. For wheat, 37 per cent of the samples analysed so far met typical specifications for high quality bread wheat. This is a vast improvement on the four per cent at the same point last year and is comparable to quality in 2010 and 2011. This implies that the proportion of feed grade wheat will be lower, reducing the premium of milling wheat over feed wheat. For barley, all quality parameters measured were better than last year, with the specific weight being one of the highest on record, dating back to 1999. For the detailed provisional CQS results, click here.

Wet weather in mid-September limited progress of the remaining 2013 harvest, mostly in Scotland and the northern regions. As at Tuesday 17 September, 96 per cent of the GB wheat area had been harvested, the winter barley harvest was complete with about 10 per cent of the spring barley area left. For oilseed rape, 99 per cent of the winter crop was already gathered with 40 per cent of the spring crop harvested.

The Hi-pro any origin soyameal (ex-store East coast) price as at Friday 13 September was £414 per tonne, up from £408 a month before. The global soyabean market has been more volatile than the cereals market due to the dry US weather and market expectations of lower yields for the US soyabean crop. This was supported by the USDA, as the US 2013/14 soyabean yield was revised lower, resulting in a 3Mt decline in the production estimate. However, the global 2013/14 soyabean crop estimate was almost unchanged as larger crop forecasts for South America nearly offset reductions in the Northern Hemisphere. This means that the 2013/14 global soyameal production is still expected to be considerably higher than last season.

May 2014 Chicago Soyabean: Maize price ratio



Source: AHDB/HGCA

It is worth bearing in mind that soyabean plantings have just started in South America, so there are still several months to go until harvest starts. However, the Chicago May 2014 soyabean:maize price ratio is currently in favour of South American producers planting more soyabeans than maize. A ratio greater than 2.5 implies that farmers will favour soyabean plantings over maize and the areas planted will be the first indication of the 2013/14 South American production.

FOCUS ON: UK and EU Pig Numbers

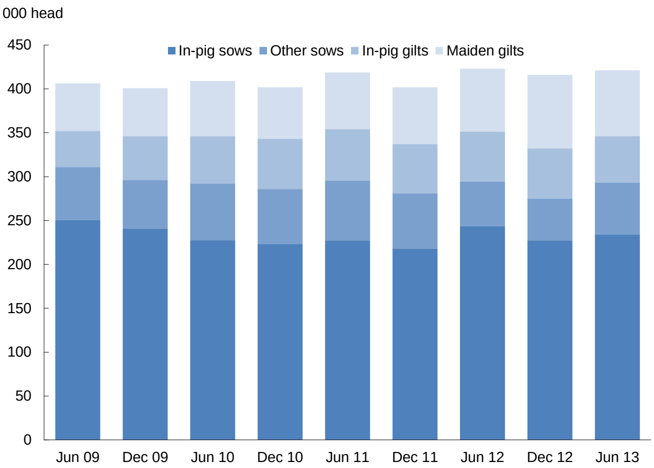
Results of the June Agricultural Survey have so far been published for England and Northern Ireland. Scottish figures are due to be published in early October and Welsh data later in the year. However, given that England and Northern Ireland account for over 90 per cent of the UK pig herd, the published figures give a good guide to trends for the whole country.

The figures show that the UK breeding herd has decreased over the last year, although the June figures do represent some recovery from the low point recorded in December. Overall, the breeding herd was down a little under one per cent compared with June 2012. With the Scottish herd having declined more rapidly than elsewhere in recent years, the drop for the whole of the UK may be a little larger, perhaps equivalent to around 5,000 fewer breeding pigs than a year earlier.

Northern Irish figures don't distinguish between in-pig and other (suckling or dry) sows. However, English figures show that the number of in-pig sows was down by four per cent. Both countries recorded significant drops in the number of in-pig gilts. This suggests that the number of piglets born over the summer may have remained constrained. In turn this implies that supplies of pigs for slaughter will remain relatively tight for the remainder of this year. Detailed forecasts for UK supplies will be published in the next edition of Pig Market Trends.

In contrast to gestating animals, the number of maiden gilts was higher by five per cent in England, although there was a modest decline in Northern Ireland. This continues a long-term trend driven, in part, by a greater producer focus on replacing sows to ensure herds are younger and more productive. However, the increase probably also reflects greater optimism among producers as pig prices were at record levels and feed prices were easing in June. This indicates that an upturn in production might be expected as we move into next year.

English female pig breeding herd size



Source: Defra

While the results for the breeding herd were broadly in line with expectations, the English census figures for the number of fattening pigs are unexpected. They show a significant increase, amounting to over 400,000 extra pigs compared with a year earlier. With the breeding herd declining during the second half of last year, this seems unlikely. Many of these pigs would have come to slaughter since June but no upturn has been apparent in official Defra figures or in AHDB's weekly estimates. Defra figures show that English clean pig slaughterings between June and August were virtually unchanged from a year earlier.

Reports suggest that, since the closure of Halls of Broxburn last year, there has been an increase in the number of Scottish bred pigs being sent to finishers in England at 30kg. However, this would not affect numbers of pigs under 20kg, including piglets before weaning, for which the reported increase was particularly large (up 20 per cent). One possibility is that the increase may be due to the inclusion of more contract finishers within this year's figures, although there has been no change in the survey methodology.

When they are published, figures for Scotland, Wales and the UK as a whole will be reported through Pig Market Weekly.

Pigs on English and Northern Irish agricultural holdings – June

	England			Northern Ireland		
000 head	2012	2013	% change	2012	2013	% change
Total pigs	**3,661.9**	**4,065.9**	**+11**	**426.9**	**433.9**	**+2**
Breeding pigs	436.7	434.1	-1	43.3	42.6	-2
Sows	294.4	293.1	-	32.4	32.3	-
In-pig gilts	56.8	53.0	-7	5.9	5.6	-5
Maiden gilts	71.8	75.2	+5	4.3	4.1	-5
Boars for service	13.7	12.8	-6	0.7	0.6	-3
Fattening Pigs	3,225.2	3,631.8	+13	383.7	391.3	+2

Source: Defra, DARDNI

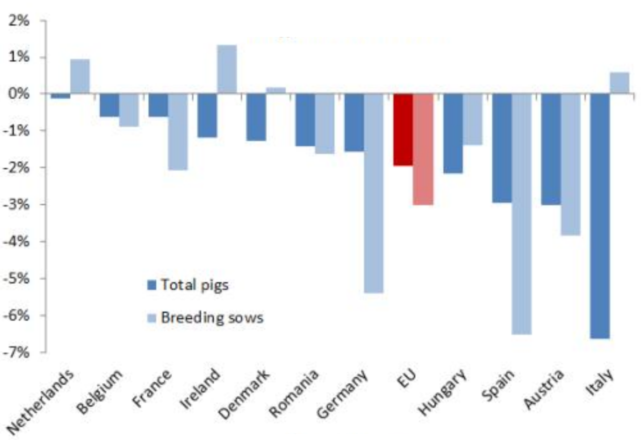
FOCUS ON: UK and EU Pig Numbers

The UK is one of 14 major pig producing EU Member States which carry out a census of pig numbers in May or June each year. Results are now available from Eurostat for all of the other countries involved, although figures from Poland appear to be incorrect (see below) and have been excluded from the analysis reported below. Nevertheless, the available figures cover over 80 per cent of the EU herd.

Latest figures from across Europe show that the drop in the size of the EU pig herd continued over the past year. With the exception of Sweden, there were fewer pigs in every country than a year before. Overall, there were two per cent fewer pigs in the EU than last summer. The fall in pigs being raised for slaughter was slightly smaller but was still significant. There were higher numbers in the heaviest weight categories, which may reflect the lower feed prices this year encouraging producers to retain pigs slightly longer. However, in all weight categories below 80kg, pig numbers were down by two per cent or more. This confirms that the tight supply situation is likely to continue for the remainder of 2013, the period during which these pigs will come to market.

While breeding herds in some Member States have stabilised, or even increased slightly, across the EU as a whole sow numbers declined by three per cent. Sow numbers were down even more markedly but there was a small increase in both in-pig and maiden gilts. This suggests that producer confidence may have been beginning to return as feed prices eased, despite pig prices largely remaining subdued up to June. Nevertheless, with the number of pregnant animals down three per cent overall, the pig crop over the summer months is again likely to have been lower than a year earlier.

Annual change in EU pig and sow numbers May/June



Source: Eurostat

Particularly sharp declines were recorded in the EU's two largest breeding herds, with German sow numbers down by five per cent and Spanish sows by seven per cent. With these two countries accounting for over 40 per cent of EU pig production, this suggests that tight supplies are likely to continue into the early part of next year, at least. In contrast, breeding herds have stabilised elsewhere, with both the Netherlands and Denmark recording slight increases along with a few smaller producers.

However, even these countries recorded small declines in their overall pig herds, although the fall in the Dutch herd was only marginal. The sharpest fall was in Italy, where pig numbers were down seven per cent following a sharp fall in the breeding herd last year. The latest figures suggest that Italian sow numbers have recovered somewhat in recent months.

According to data published by Eurostat, the Polish pig herd and its breeding herd increased significantly over the year to May. However, given the sharp falls in previous years, this is unrealistic. Figures received from contacts in Poland show that the Polish breeding herd actually declined by a further eight per cent in the year to July. Overall pig numbers were down by four per cent.

Pig Census results from major EU Member States*, May/June

000 head	2012	2013	% change
Total pigs	**120,931**	**118,647**	**-1.9**
Breeding pigs	**10,355**	**10,056**	**-2.9**
In-pig sows	5,921	5,668	-4.3
In-pig gilts	1,255	1,285	+2.4
Other sows	1,876	1,805	-3.8
Maiden gilts	1,154	1,159	+0.4
Boars for service	148	138	-7.1
Piglets	**35,012**	**34,237**	**-2.2**
Young pigs (<50kg)	**28,410**	**26,986**	**-5.0**
Fattening pigs (>50kg)	**47,154**	**47,371**	**+0.5**
50-80kg	23,280	22,713	-2.4
80-110kg	18,547	18,936	+2.1
Over 110kg	5,327	5,723	+7.4

Source: Eurostat

* Excluding Poland and the UK

Other industry news

German exports rise further

German pork exports increased by three per cent between January and June compared with a year earlier. Higher shipments were mainly the result of increased domestic production, which was up by one per cent, and some fall in domestic demand. The UK has now become the fifth largest market for German pork and shipments were up nine per cent on the year. German imports, on the other hand, came down by five per cent in the first half of the year compared with the same period in 2012. This was because, due to the higher feed costs last year and the change in EU pig welfare regulations, supplies elsewhere in the EU have been tighter in 2013.

Export price trends vary globally

Since producer prices are quoted on a different basis in different countries, calculating an average global pig price is difficult. However, a good indication of trends can be obtained by comparing pork export prices. Based on figures from the four leading exporters, prices during the first half of 2013 were similar to the same period of 2012. Having started the year at around US$3.00 per kg, the average price eased slightly in the second quarter to just over $2.90. Prices remained below the record levels recorded in 2011. However, the stable average price hides some differing trends for individual exporters. Prices diverged last year, with EU exports now priced significantly higher than those from the Americas.

Spanish export trade well down

Spanish pork exports in the first half of 2013 were down by 13 per cent compared with the same period in 2012. This was due to a decline in domestic production, lower demand from French processors and steady domestic demand. Exports to most major markets were down, with Portugal the only key market to record a significant increase. The total value of exports between January and June amounted to €1 billion, down six per cent on the year despite a rise in the average export price.

More good quality straw set to reach the market

With a large spring barley area being harvested this season, the availability of good quality straw is likely to be high. Straw prices have risen over the last decade, although prices pre-harvest were lower than they were a year before. Analysis by HGCA shows that the value of straw has increased beyond that of the nutrients required to replenish soils so growers are more likely to consider baling to supplement crop gross margins. This could put downward pressure on straw prices, although barley straw can play a useful role in cattle feed rations and demand from this sector may help support prices. Further information about the factors influencing decisions about baling or chopping can be found in HGCA's Prospects.

Physical performance improves further

The physical performance of the best GB pig breeders reached new levels in the year to June 2013, according to data provided by Agrosoft. The top third of breeders weaned over 26 pigs per sow per year for the first time, while the top 10 per cent achieved 28 pigs per sow. However, the average performance across all herds was little changed over the last year at 22.85 pigs per sow. In the latest quarter, there were also further improvements in the performance of rearing and finishing herds, notably in feed efficiency. A full range of performance indicators can be accessed through the BPEX website.

Danish pork exports down but weaner trade up

Danish pork exports were down three per cent in the first half of this year compared with the same period in 2012. The decline came on the back of lower Danish production of pig meat. Germany and Poland maintained their position as the main markets, with nearly half of exports between them. However, shipments to Japan and the UK fell. Bacon exports, predominantly destined for the UK market, were also lower during the six month period, while processed pig meat exports were little changed. While meat exports have been somewhat slow, the live pig trade continued to increase and was six per cent above last year's level during the first half of 2013.

AHDB/HGCA Grain Market Outlook Conference

The AHDB/HGCA Grain Market Outlook Conference will be held on 15 October this year, titled 'Redefining resilience: How equipped is the industry to manage future change?' Attendees will hear from four experts, on the 2013 crop, the inside view on Chinese grain and oilseed markets and thoughts on the long term robustness of the UK arable sector. To view the agenda and book a place, please click here.

Read more about these and other stories in Pig Market Weekly. To view past editions or to subscribe, click here.