

# Pig Market Trends

October 2013, Issue 101

## Key messages

### Producer prices

Pig prices moving up again in September and October, passing 170p/kg for the first time.

Weaner market remains well balanced as shortage of finishing places keeps a lid on demand.

EU pig prices fall sharply from September as supplies more plentiful, increasing UK price premium.

### Slaughterings and production

UK clean pig supplies remain close to last year's level in September but weights heavier, sow kill lower.

### Trade

UK pig meat imports remain subdued in August, with pork, bacon and sausage shipments all lower on the year.

UK pork exports higher in August but growth slower than earlier in the year and offal volumes down.

### Retail sales and prices

Pork, bacon and sausage sales still subdued by high prices but ham performing well.

Hard discounters recording strong growth in fresh meat sales as quality perceptions improve.

### Costs of production

Pig production costs remain below pig prices but little changed in October and producers still paying back earlier losses.

Global and UK wheat prices rising relative to other grains so substitution for maize or barley likely in feed rations.

### Outlook for UK pig meat supplies

UK breeding herd declines two per cent in year to June and no significant expansion expected in near future.

Pig slaughterings forecast to remain close to year earlier levels into early 2014 but to rise later in the year.

Supplies on UK market to remain tight into 2014, with limited import growth and higher exports.

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## Key data

	Sep 13	Change since Aug 13	Change since Sep 12
GB DAPP (euro-spec) – p/kg dw	170.07	+2.17	+17.16
Average GB carcase weight – kg	79.92	+0.79	+1.52
30kg weaner price – £/head	54.03	+0.37	+15.01
GB cull sow price – p/kg dw	na	na	na
EU Reference price – €/100kg dw	191.03	+0.96	+0.92
UK Reference price – €/100kg dw	197.15	+6.43	+10.57
UK weekly clean pig kill – 000 head	197.3	+4.6	+0.7
UK weekly pig meat production – 000 tonnes	16.4	+0.6	+0.3
UK pork imports – 000 tonnes*	28.1	-0.7	-1.5
UK bacon imports – 000 tonnes*	19.5	-1.0	-3.1
UK pork exports – 000 tonnes*	15.0	-	+0.9
Retail pig meat sales – 000 tonnes†	51.2	-2.6	-3.2
LIFFE feed wheat futures – £/tonne	154.48	-2.24	-49.89
CBOT Soyameal futures – \$/tonne	446.63	+18.20	-60.99

\* Figures relate to August 2013

† Figures include household purchases of pork, bacon, sausages and ham and relate to 4 weeks to 15 September 2013

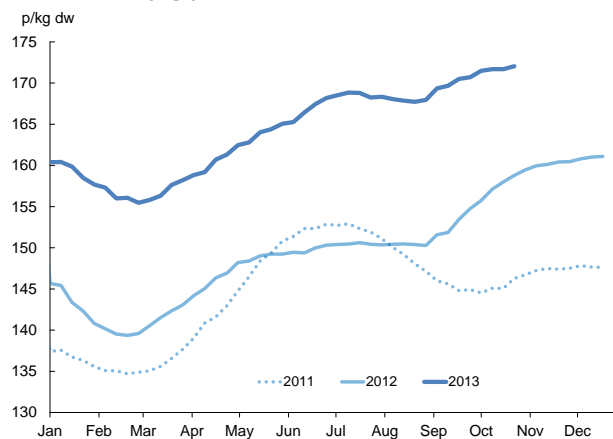
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## Producer prices

GB finished pig prices resumed their upward trend in September, having eased back slightly over the summer. The monthly average DAPP topped 170p per kg for the first time ever, having only passed 160p for the first time in November 2012. This was just over 2p up on August's average and was over 17p higher than last September. The rise was again largely the result of increased retailer demand for British pigs, combined with relatively tight supplies; pig numbers in September were close to year earlier levels. Prices continued to rise into October despite slightly higher throughputs, reaching 172.04p per kg by week ended 19 October. However, with the rate of increase slower than last year, the annual gap had fallen to around 14p, its lowest level so far this year.

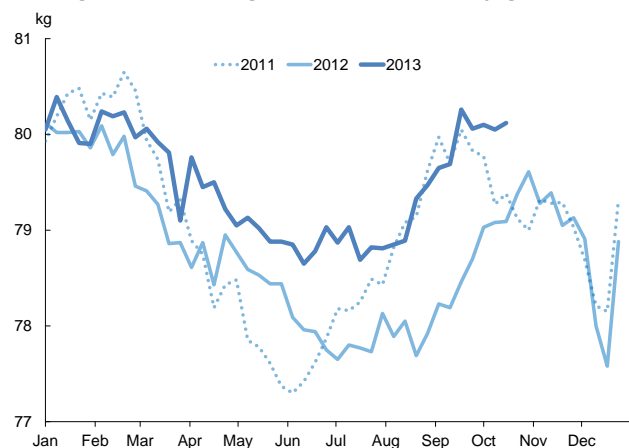
### GB finished pig prices (DAPP)



Source: AHDB Market Intelligence

Throughout September, carcass weights were well over a kilo higher than a year earlier, mitigating the tight supply situation to some extent. Weights were lighter last year as producers marketed pigs earlier to offset high feed costs. This year's average weight during September, 79.9kg, was similar to the same month two years before. From mid-September, average weights topped 80kg and they have remained at this level into October, still well above year earlier levels. Probe measurements remained high, averaging 11.3mm in September and as much as 11.5mm in early October.

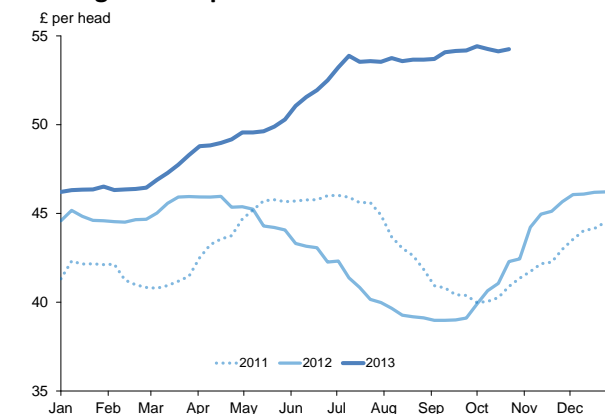
### Average carcass weights for GB finished pigs



Source: AHDB Market Intelligence

The weaner market has been finely balanced since mid-July with prices ranging between £53 and £55 per head. September's average price of £54.03 was the highest level since June 2010 but was only a few pence higher than the previous two months. The stable market comes despite strong finished pig prices and lower feed costs meaning that returns to finishers are potentially good. Further upward movement is reportedly being prevented by a lack of finishing accommodation, which is keeping demand for weaners in check. Prices reached a peak in early October but have since eased back slightly to stand at £54.25 per head for week ending 26 October.

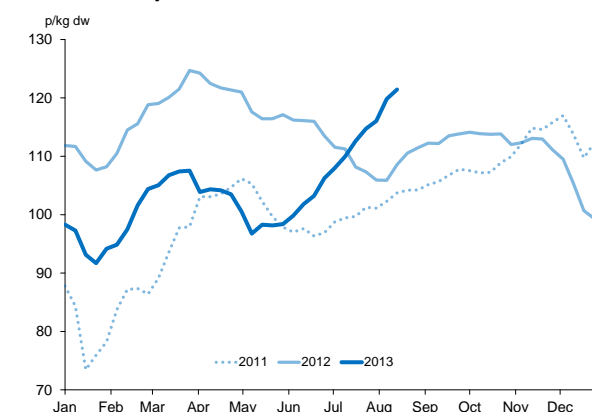
### GB 30kg weaner prices



Source: AHDB Market Intelligence

With only two companies currently killing sows on a commercial scale, no GB prices have been available since mid-August. Reports suggest that prices have fallen back since early September in response to a weakening export market and are now at a similar level to October 2012. This is despite estimated sow throughputs being at a more normal level than last year when they were inflated in response to high feed prices.

### GB cull sow prices



Source: AHDB Market Intelligence

Recent weeks have seen a reversal of fortunes in the EU pig market. Having risen steadily since May, the EU average price reached a peak in the first week of September at over €195 per 100kg. This was the highest level it has reached apart from during the FMD outbreak in March 2001. However, since then the price has fallen back by nearly €16 in six weeks to stand at

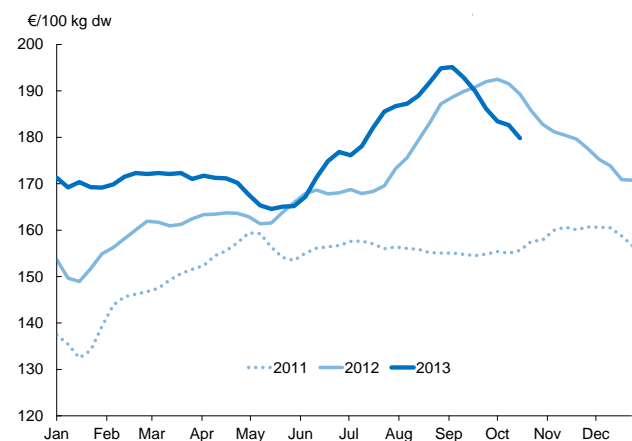
€179.83 in week ended 19 October. The change of trend has been driven by a reported increase in the supply of pigs in recent weeks, relieving the tight supply situation which had prevailed over the summer. This is partly because pigs whose growth was slowed during the heat of the summer are now coming to market.

#### 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 (£/head)	Cull Sow Price (p/kg)
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	na
Sep-13	170.07	167.00	79.92	11.3	54.03	na
05-Oct	171.49	168.40	80.10	11.5	54.42	na
12-Oct	171.69	168.60	80.05	11.5	54.26	na
19-Oct	172.04	168.94	80.12	11.5	54.13	na

The recent price fall was initially most apparent in northern Member States, precipitated by a drop in the German price, which fell by €14 in the three weeks to 22 September, although it has since stabilised. The exception was Denmark, where robust export markets kept prices steady through most of September, although the price there did drop back slightly at the start of October. Further south, prices remained stable or even increased until late September but have since matched the falls seen a few weeks earlier further north. For example, the Spanish price, the highest among major producers, was stable until week ended 15 September but then fell by €22 in five weeks.

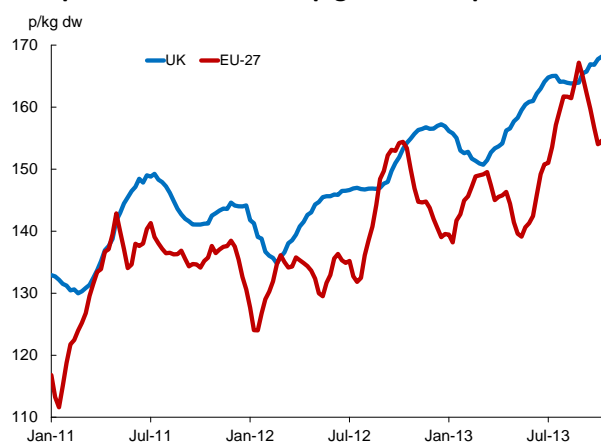
#### EU average pig reference price



Source: EU Commission

The UK was one of the few Member States where prices were still rising. As a result, having briefly been below the EU average, the UK price re-established its premium in September, with the gap opening up to nearly 16p per kg in the latest week. However, this was still smaller than the premium before EU prices started rising in May, when the gap was over 20p per kg.

#### Comparison of UK and EU pig reference price



Source: AHDB Market Intelligence, EU Commission

In the period between July and early September, EU weaner prices increased by over €2 per head, meaning that, at around €48.50 per head, breeders received €3 more compared with the same period in 2012. A strengthening finished pig market combined with lower feed costs encouraged the demand for weaners at a time of year when prices are normally falling. After a few weeks of stability, there was a modest fall in weaner prices from late September, on the back of the easing in the EU finished pig market. However, prices remained similar to last year's level, at €46.87 per head for the week ended 19 October.

As is normally the case, EU cull sow prices have broadly followed the trend of the finished pig market in recent weeks. The key German M1 sow price peaked at €1.57 per kg in early September but had lost nine cents by week ended 12 October, although this is still well above its level for most of this year. However, it is below the high levels recorded last autumn, when the price peaked at €1.62 per kg in mid-October. Prices elsewhere have largely followed the German trend.

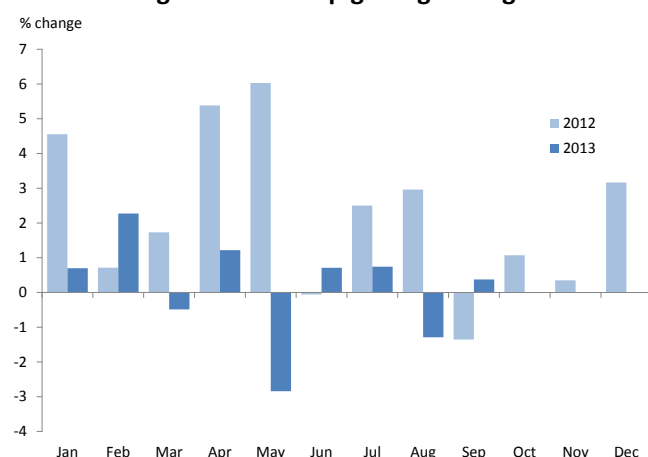
#### Pig Reference Prices in selected EU Member States (€ per 100kg)

	Jul 13	Aug 13	Sep 13	05-Oct	12-Oct	19-Oct
Denmark	159.75	165.69	169.39	166.78	166.77	166.78
France	172.58	180.03	185.30	173.00	169.00	164.00
Germany	177.84	189.82	185.86	178.77	178.93	178.80
Italy	195.59	208.98	220.93	206.63	196.34	186.78
Netherlands	161.32	172.17	169.29	161.36	161.29	161.17
Poland	179.81	187.97	187.49	181.36	182.46	182.82
Spain	203.76	213.26	214.03	202.28	203.83	194.29
UK	191.14	190.72	197.15	199.76	198.63	198.80
<b>EU average</b>	<b>181.09</b>	<b>190.07</b>	<b>191.03</b>	<b>183.43</b>	<b>182.65</b>	<b>179.83</b>

## Slaughterings and production

UK pig supplies were only marginally up on the year as slaughterings were almost unchanged in September at 789,100 head. Throughputs in England and Wales rose by six per cent compared with September 2012. However, reductions in other regions offset this increase. Scottish throughputs continued to decline (down 59 per cent) after last year's plant closure. In addition, two per cent fewer animals were slaughtered in Northern Ireland compared with a year earlier. The year-to-date figure and the third quarter figure also showed similar trends, with throughputs at a similar level to same periods in 2012.

### Annual change in UK clean pig slaughterings



Source: DEFRA

The number of sows and boars culled in September was 20,000 head, down 15 per cent from the 2012 level. This represents a return to more normal levels from the inflated slaughterings last year. Total adult pigs slaughtered in the first nine months of this year totalled 192,400 head, 6,600 fewer compared with January to September last year. This came despite numbers having been higher in the first half of the year; the third quarter kill was down nearly 9,000 head on a year earlier.

	Clean pig slaughter (000 head)	Pig meat production (000 tonnes)
Jul 13	964.9	79.1
Aug 13	770.9	63.4
Sep 13	789.1	65.7
% change Sep 13/ Sep 12	+0.4%	+1.5%
Jan-Sep 2013	7447.2	616.2
% change 2013/2012	+0.2%	+0.9%

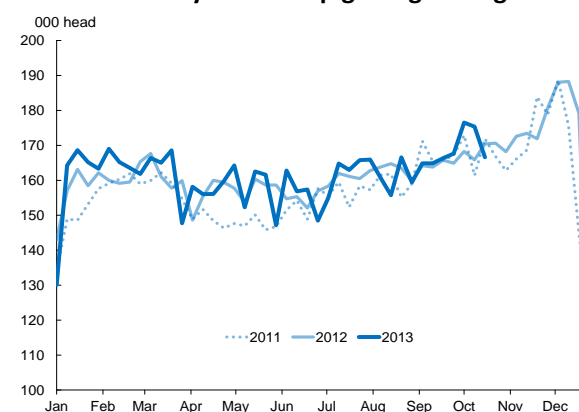
\* 5-week month

Carcase weights in the latest month reached 79.6kg, the highest since February. Lower feed costs have allowed farmers to add more weight to their animals. As a result, pigs in September were 1.8kg heavier than the same month in 2012. Given the stability in supply combined with an increase in weights, pig meat

production in September totalled 65,700 tonnes. This was an increment of two per cent compared with the same month last year.

Based on the DAPP sample, estimated GB clean pig slaughterings in the first three weeks of October were three per cent up on the year. Nevertheless, supplies in the coming months are expected to remain tight as the impact of the fall in the breeding herd last year continues to be felt.

### Estimated weekly GB clean pig slaughterings



Source: AHDB Market Intelligence

EU slaughtering figures for July show a kill of 20.7 million, around three per cent more than in the same period in 2012. This goes against the trend in the year to date, for which throughputs are currently down one per cent. However, as July this year had an additional working day compared with July 2012, the underlying position was one of lower throughputs. Carcase weights were higher on the year, as they have been for a number of months, resulting in July pig meat production of 1.84 million tonnes. This was close to four per cent higher on the year, although still an underlying decline in production when the extra day is taken into account.

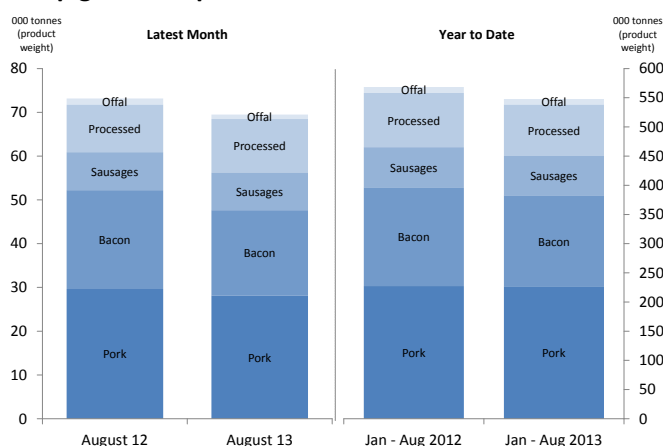
Production increased on the year in most Member States, with the Netherlands the most notable exception. Despite the additional working day compared with last year, throughputs were down eight per cent there. This could be attributable to the significant rise in live exports, leaving fewer animals for domestic slaughter. Romania and Italy both recorded double digit increases while French throughputs rose nearly seven per cent on the year, having declined two per cent overall in the year to date. Other major producers showed only modest increases roughly in line with the average, although for Poland, the four per cent rise bucked the trend of significantly reduced production seen in most months of the year.

Provisional figures for August indicate supply remained tight in all countries which have released data so far, with an average fall in throughputs of six per cent. Even allowing for one working day fewer than in 2012, the underlying tightening trend appears to have continued.

## Trade

UK pork imports weakened again in August, down by 1,500 tonnes compared with the same month in 2012. At 28,100 tonnes, this represented a reduction of five per cent on the year. Germany maintained its position as the main supplier from the previous month; imports from the country increased by 30 per cent year on year. However, this increase was offset by lower imports from other key suppliers. Danish pork volumes were down by 27 per cent and Irish supplies by 40 per cent from the previous year in August, while Dutch shipments were almost unchanged. Total imports for the year to date fell marginally to 225,800 tonnes but the value rose by seven per cent on the year to £466.7m.

### UK pig meat imports

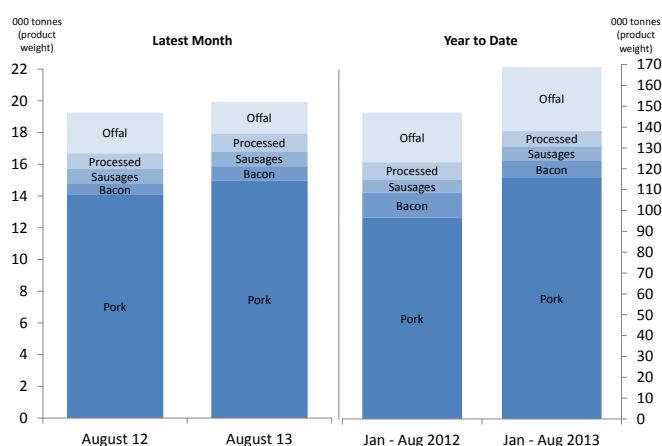


Source: Her Majesty's Revenue & Customs

Lower shipments from Germany (down 12 per cent) and the Netherlands (down 30 per cent) meant that UK cured pig meat imports fell to 19,500 tonnes. This was 14 per cent lower compared with the same month a year earlier. Sausage shipments declined by just one per cent on the year. This was largely on the back of less Irish and Polish product despite increased German and Dutch supplies. In contrast, 13 per cent more processed product was imported into the UK, with a significant rise from Danish suppliers.

Pork exports from the UK increased by six per cent compared with August last year. This was partly a result of increased demand on the back of tight supplies across the continent. Irish purchases rose by a notable 41 per cent, making it the largest market during the month, but the UK shipped 27 per cent less to Germany. There was a notable contribution from non-EU countries, in particular from China and Hong Kong, both up by around a third. Frozen pork exports were more popular among the Asian markets and total frozen shipments in August rose faster than fresh at 12 per cent on the year. The unit price for pork exports was up almost ten per cent, which meant that the value of the export market in August totalled nearly £20 million. This was 17 per cent more than in August 2012.

### UK pig meat exports



Source: Her Majesty's Revenue & Customs

Exports of cured pig meat in August increased by over a fifth but supplies were still short compared with 2011 levels (down 72 per cent). Similarly, processed shipments strengthened and sausage exports were little changed from the same month last year. In contrast, offal exports were 22 per cent lower in August compared with a year earlier. While purchases from Hong Kong and China remained strong, the market was mainly affected by lower demand from the continent.

EU-28 pork exports increased by four per cent year on year in August, to 143,800 tonnes. The growth was entirely due to strong performance in the leading market, Russia, where volumes were up by two-thirds from August 2012. The EU continues to fill the gap left by Russian restrictions on other suppliers, notably the US and Canada. Most other major markets, including China, took less EU pork than a year earlier, although shipments to Hong Kong were slightly higher. The fall in exports to China was the first year-on-year decline since March 2010 and contrasts with a 44 per cent increase for the year to date. Total EU pork exports in the first eight months of this year were 1.04 million tonnes, almost unchanged from the same period in 2012. The value of these supplies edged down to just under €2.5 billion.

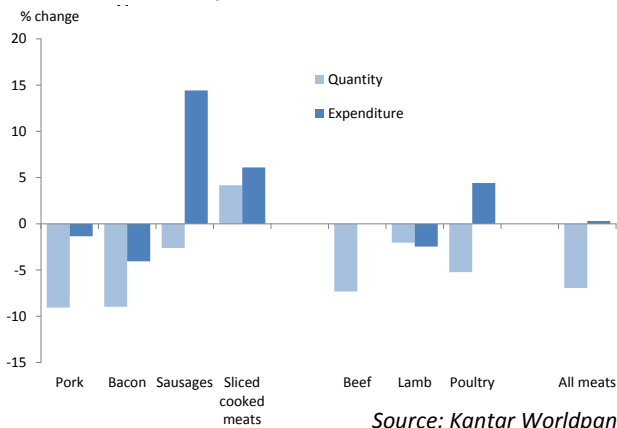
Pig offal exports declined by three per cent compared with August 2012. At 78,300 tonnes, this was 16 per cent down from the same month in 2011. The reduction was largely a result of a 17 per cent decline in purchases by the Chinese market, while supplies to Hong Kong were up by a quarter. Together the two market accounted for 63 per cent of the overall EU offal export trade. As the third largest market, exports to Russia also fell by 15 per cent on the year. However, the Philippines market continued to re-emerge, accounting for nearly five per cent of shipments in August.



## Retail sales and prices

The amount of pork sold in GB was nine per cent lower than a year earlier in the 12 weeks to 15 September, according to Kantar Worldpanel. As a result, spending fell, despite average price rises of eight per cent. Although most of the decline was due to fewer shoppers buying pork, a reduction in the amount bought per trip suggests that pack sizes are decreasing as retailers aim to meet price points. Bacon has struggled, with chops, steaks, joints and rashers all recording volume declines but premium rashers continued to make gains. Meanwhile, spending on sausages was up 14 per cent, driven by price increases; consumers are continuing to switch from standard sausages to premium, contributing to the higher prices paid. Sliced cooked ham showed encouraging growth, helped by the warmer weather.

### Annual percentage change in retail meat purchases (12 weeks to 15 September 2013)



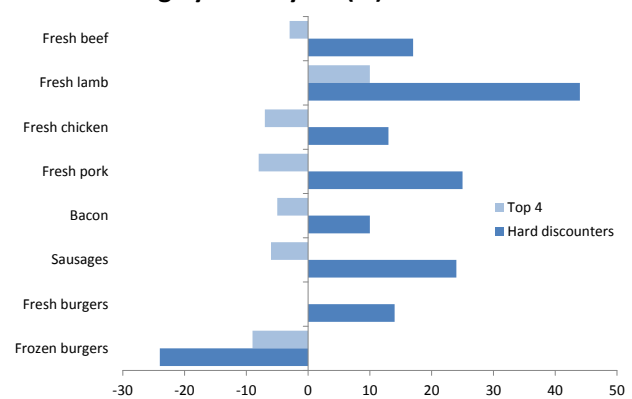
The grocery market is currently undergoing fairly significant change. The hard discounters (Aldi and Lidl) have recorded strong growth over the last few years; this growth casts a shadow over the top four retailers. Hard discounter sales were up 24 per cent in the 12 weeks to 15 September, well ahead of total retailers' growth of four per cent, according to Kantar Worldpanel. The hard discounters now account for nearly seven per cent of the market. Attracting more customers has underpinned their success, with shoppers also spending more per visit. Growth has come across all demographics, with even high earners spending significantly more at the discounters this year. Younger shoppers have been key, spending 71 per cent more than last year, but the typical shopper remains slightly older and less affluent than the market average.

Although price may have initially attracted new shoppers with squeezed budgets, quality perceptions have improved, helping to retain them. According to research from IGD, 80 per cent of discount shoppers think that products are similar to or better than supermarkets' standard private label; a similar number think that quality at the discounters has improved. Even among non-discount shoppers, nearly two thirds think that discounter products are better than supermarkets' budget ranges. These figures help to explain why almost half of shoppers

now regularly shop at discounters, with one in ten doing their main grocery shop there.

At the discounters, fresh and chilled growth is ahead of total food, with fresh red meat sales growing faster still. As consumers increasingly feel discounters can offer quality, the low price points become very attractive. Compared to the average across the top four multiples, pork is eight per cent cheaper on average, although this varies by cut. A recent YouGov report highlights shopper's concerns over the price of meat, with many shoppers expecting to cut down their consumption. Discounters' low prices may help keep consumption steady.

### Hard discounters compared with top four retailers Volume change year on year (%)



Source: Kantar Worldpanel, 52 weeks to 15/09/13

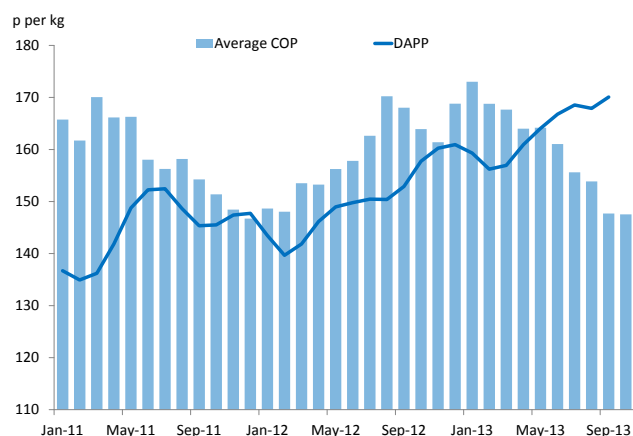
Fresh pork has made volume gains of 25 per cent at the hard discounters, accelerated by the strong performance of marinades, steaks and shoulder joints. Marinades account for 18 per cent of pork sales, with barbecue ribs doing especially well. Processed pig meat has also performed well, with bacon purchases up 10 per cent, a very different picture to the five per cent decline at the top four multiples. At the major retailers, sausage volumes were down six per cent, while at the discounters, growth stands at 24 per cent. Poultry has a larger share of the protein market at the hard discounters than at the top four, likely due to prices, demographic preferences and the ease of cooking poultry. However, poultry has shown slower volume growth than red meat.

One major supermarket has recently announced it will be keeping many of its prices in-line with the discounters, demonstrating growing concern over the threat they pose. The key question is whether the discounters' growth can continue; will consumers switch away once budgets are relaxed? IGD research indicates that shoppers expect to continue shopping at discounters even when their economic circumstances improve. The UK grocery market has recently had only a small discount channel. However, the current discounters still have some room to grow if they are to reach KwikSave's peak market share of 10 per cent in the mid-1990s. For the time being, continued strong gains look likely, with announcements of new stores emphasising the discounters' growth ambitions.

## Costs of production

Latest AHDB/BPEX provisional estimates show that the average cost of pig production in October was little changed at 147.5p per kg. This was the lowest monthly average since December 2011 but the rate of fall has slowed due to some stability in feed prices. At the latest estimate, costs were, on average, 16p per kg lower compared with October 2012. While the cost of inputs utilised during the month is down, pigs being sold during October will have been fed during a life cycle when prices were higher. A [new report on production costs](#) and their relationship to prices and margins in the supply chain has been published on the BPEX website.

### Total cost of pig production compared with the DAPP



Source: AHDB Market Intelligence

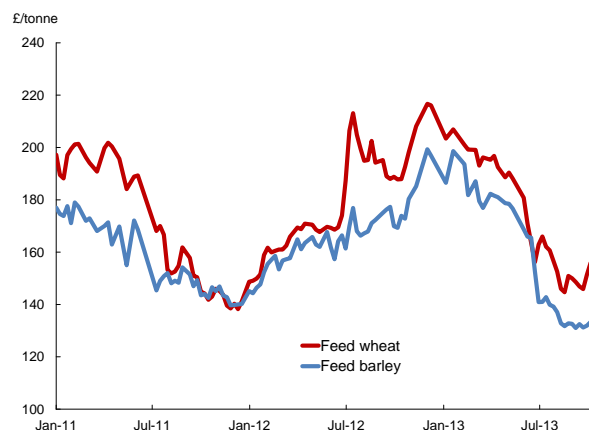
The finished pig market strengthened as prices passed 171p per kg in recent weeks. This means UK farmers received a higher price for their pigs at a time when their cash outflow was reduced. However, the cumulative losses of producers since the start of 2011 are still estimated at over £125 million. Therefore, margins will need to remain favourable for a sustained period before producers feel confident enough to make the investments necessary to improve the efficiency of the industry.

The UK feed wheat Nov-13 futures price closed at £165.65 per tonne on Thursday 24 October, a £12.65 increase on the closing price a month before. Global wheat prices have increased recently due to strong demand and supply concerns in some major producing regions. Maize prices, on the other hand, have continued to fall due to good crop prospects across the globe. Therefore, the spread between the Chicago wheat and maize prices has been widening recently.

In the UK, 2013 wheat production is seen by Defra at the lowest level in over ten years (provisionally 12.1Mt), while barley (7.1Mt) and oat (975Kt) crops are the largest since 1997 and 1973 respectively. Although the UK wheat crop is lower, quality has been good. This implies that there will be more rationing of the amount of wheat that goes into feed rations as opposed to the human and industrial sector. UK feed wheat and barley prices mirror the global picture, with a recent widening spread between the prices. The [AHDB/HGCA early](#)

[balance sheets](#) for wheat and barley estimate that 15 per cent less wheat and 11 per cent more barley will be used by the animal feed sector. Furthermore, the greater availability of oats has resulted in a decline in price, meaning oats will also be a contender in the competition for cereals into feed rations in 2013/14.

### Comparison of UK prices for feed wheat & feed barley



Source: AHDB /HGCA Corn Returns

Globally, if the recent widening gap between wheat and maize prices continues, more maize will be used in feed rations in place of wheat. In the UK, the bigger barley and oats outputs have resulted in cheaper crops compared to wheat, therefore more barley and oats will be used in feed rations this season. The extent to which the substitutions will be made will be dependent on the nutritional requirements of the end-user. Also, if UK feed wheat remains at premium levels to European maize, additional maize imports should be expected.

The Dec-13 Chicago soyameal futures price closed at \$469.58 per tonne on Thursday, a three per cent increase on a month earlier. However this price declined earlier in the month due to the seasonal US harvest and reports of better than expected yields. More recently, the soyameal price increase has been driven by strong Chinese demand, with the USDA reporting big export sales. As at 20 October, 63 per cent of the US soyabean crop had been harvested, good progress bearing in mind that planting was delayed. This generally creates a bearish outlook for prices, as harvest is seen to progress well with good yields.

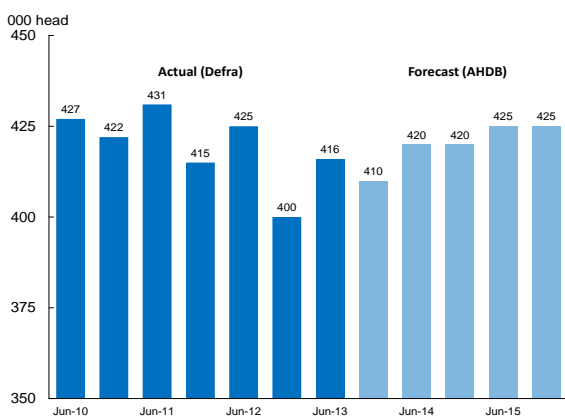
The Hi-pro any origin soyameal (ex-store East coast) nearby price as at Friday 18 October was £391 per tonne, down from £404 as at 20 September. However, rapeseed prices have increased due to the expectation of higher demand. The European Union has placed a restriction on biodiesel imports from Argentina and Indonesia but the extent to which this will influence rapeseed prices remains to be seen. It is expected that it could create more demand for EU rapeseed oil, thus creating more meal, but the degree of the price movement could be capped by competition from soya oil and sunflower oil.

## FOCUS ON: Outlook for UK Pig Meat Supplies

Latest data from the June Agricultural Survey show that the UK pig breeding herd was slightly smaller than a year before. Overall, the number of pigs for breeding was one per cent lower on the year. However, there was a slightly sharper fall in the current female breeding herd, which was down two per cent at 416,000 head. This does mark some recovery from the low point of 400,000 head recorded in December. However, in recent years there has been an increasing gap between the results of the June and December surveys, which can't be readily explained and may be a statistical anomaly. Therefore, the true position may be one of stability or, at most, modest growth.

The number of in-pig sows and gilts was down by as much as four per cent year on year, indicating that the number of piglets farrowed over the summer may have been lower than last year, despite productivity gains. The number of maiden gilts was higher, however, although this is in line with the recent trend and is probably more down to increased sow replacement rather than any improvement in confidence.

### UK pig breeding herd trends



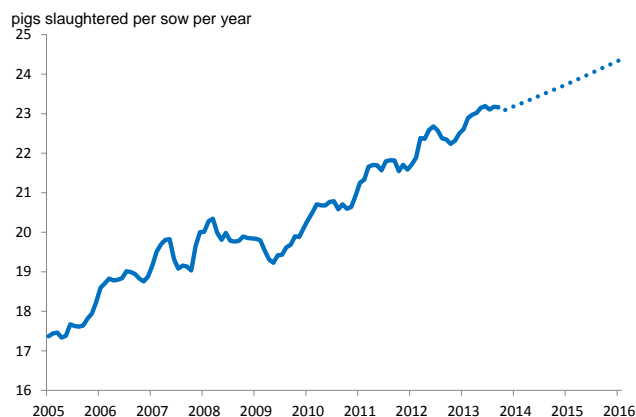
Source: AHDB Market Intelligence

Since June, the financial position of pig producers has improved with a steady rise in pig prices while costs have fallen. The generally better Northern Hemisphere harvest this year has reduced global prices for cereals, which make up the main component of pig feed; feed accounts for over 60 per cent of the cost of pig production. Nevertheless, this follows a period where producers have been losing money for a sustained period, so confidence will be slow to return. Therefore, it is unlikely that there will be any significant expansion of the breeding herd in the immediate future. As a result, the herd is likely to remain broadly stable with at best a slow recovery of the ground lost last year.

With a broadly stable breeding herd, increases in clean pig slaughterings in recent years have been down to improved sow productivity. A number of factors have contributed to this, including improved health, genetics and stockmanship. This trend has continued so far in 2013, with the number of pigs slaughtered per sow equivalent to around 23.0 per year, compared with 22.3

in 2012 and 21.7 in 2011. Productivity has improved at a fairly consistent rate over the last decade or so, except for brief downturns due to herd health issues. With an ongoing focus on improving productivity, the upward trend should continue in future years, reaching around 24.5 pigs per sow by the end of 2015.

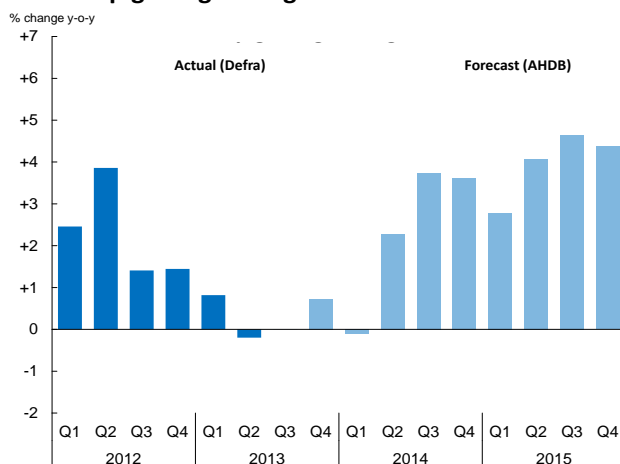
### Actual and forecast trends in productivity in the UK sow herd



Source: AHDB Market Intelligence

The decline in the breeding herd during 2012 has had a knock-on effect on the number of pigs coming to slaughter in 2013. During the first nine months of the year, throughputs were only 15,000 head higher than a year earlier. The impact is likely to continue through the remainder of this year and the first quarter of 2014, with any increase in slaughterings during this period expected to be marginal. From the spring onwards, productivity gains are likely to reassert themselves as the main driver of the number of pigs being finished. This should lead to growth in slaughterings of between three and four per cent in the second half of 2014 and about two per cent for the year as a whole.

### UK clean pig slaughterings and forecasts



Source: AHDB Market Intelligence

High feed prices in the second half of 2012 led to increased levels of culling of breeding pigs but since the start of 2013 throughputs have returned to more normal levels. Numbers have been slightly higher than in the years before 2012, as producers' sow



replacement rates continue to rise. This trend is likely to be maintained for the rest of 2013 and 2014, assuming cull prices (and feed prices) don't change markedly.

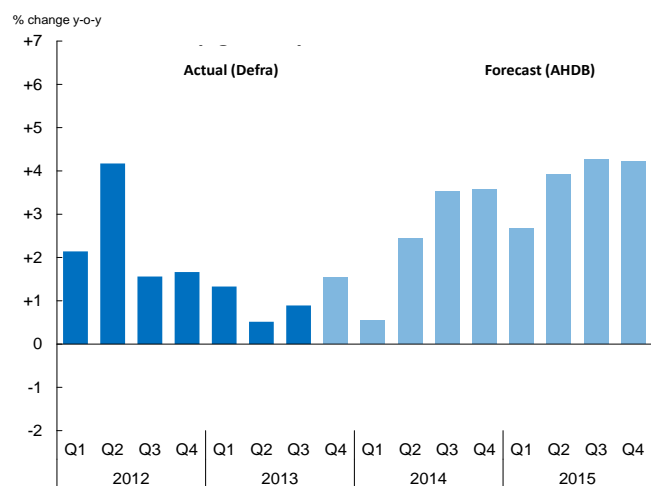
#### Actual and forecast UK pig slaughterings

000 head	Clean pigs			Sows and boars		
	2012	2013	2014	2012	2013	2014
Quarter 1	2,480	2,500	<b>2,497</b>	66	66	<b>67</b>
Quarter 2	2,427	2,422	<b>2,478</b>	62	64	<b>64</b>
Quarter 3	2,525	2,525	<b>2,619</b>	71	62	<b>64</b>
Quarter 4	2,603	<b>2,622</b>	<b>2,716</b>	66	<b>65</b>	<b>65</b>
Year	10,035	<b>10,069</b>	<b>10,311</b>	265	<b>257</b>	<b>260</b>

Source: Defra, AHDB. Figures in bold are forecasts

Carcase weights so far in 2013 have been consistently higher than a year earlier. This is partly because processors have been looking for heavier pigs to offset limited pig numbers. During the second half of 2012, carcase weights were also lower due to the high feed prices, with producers marketing pigs earlier than normal. With supplies still tight, weights are likely to remain high through the rest of 2013 and early 2014. With numbers then set to increase somewhat, the upward pressure on weights may ease but, unless feed prices rise significantly, weights may remain close to this year's levels.

#### UK pig meat production and forecasts



Source: AHDB Market Intelligence

#### Actual and forecast supplies of pig meat in the UK

000 tonnes (cwe)	2012					2013					2014
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year	Year
Production	206	198	206	214	825	209	199	208	217	834	855
Imports	227	232	235	248	942	215	223	230	235	903	907
(Fresh/frozen)	(91)	(96)	(98)	(102)	(387)	(89)	(98)	(94)	(98)	(379)	(381)
(Bacon)	(77)	(71)	(75)	(79)	(302)	(70)	(66)	(70)	(72)	(278)	(274)
(Processed)	(60)	(65)	(62)	(67)	(254)	(56)	(59)	(66)	(65)	(245)	(252)
Exports	51	45	53	53	203	55	53	59	57	224	239
Available for consumption	382	385	388	410	1,564	369	369	379	395	1,513	1,523

The increase in carcase weights has ensured that pig meat production in 2013 has remained above last year's level, despite the stable slaughterings. Looking further ahead, the higher slaughterings anticipated during 2014 mean that production is likely to rise further, topping 850,000 tonnes for the first time since 2000.

In the first eight months of 2013, the UK has imported around four per cent less pig meat than in the same period last year. The horse meat revelations earlier in the year have increased retailers' preference for British pork. As a result, the price-driven drop in the amount of pig meat being purchased by consumers has mostly hit imported product. With demand for British pigs still strong and supplies elsewhere in the EU remaining tight, subdued imports are expected to continue for the rest of the year. Some easing of supplies on the continent as 2014 progresses may lead to a modest rise in imports. However, volumes are not likely to increase dramatically unless the gap between UK and EU prices grows significantly.

UK exports of pig meat have been strong so far in 2013, buoyed by demand from China. Tight supplies elsewhere in the EU have also created opportunities for exporters while the relatively weak pound has made UK pork more price competitive. Growth may slow somewhat in the remainder of the year, given that the Chinese market was already open by the second half of 2012. Nevertheless, exports for the year as a whole are still forecast to increase. Further growth is likely next year given higher production and the possible opening of more markets for a wider range of products.

The balance of production, imports and exports has led to a significant fall in supplies available for consumption on the UK market during 2013, supporting prices. This tightness is unlikely to change during the rest of the year. However, with higher production next year, the supply situation may ease slightly as 2014 progresses. Nevertheless, the market is set to remain tighter than in previous years, suggesting that prices may stay firm, at least in the early part of the year.

## Other industry news

### US pig numbers up marginally

According to latest figures published by the USDA, pig numbers on 1 September were slightly up from a year earlier at 68.4 million head. The number of pigs for slaughter showed a similar marginal increase on the year, with a four per cent fall in those weighing over 87kg offset by increases in all other weight bands. This suggests that the impact of the PEDV outbreak has been limited at a national scale. There was also a small rise in the number of breeding pigs on the year to 5.81 million. The pig crop for the June to August quarter was up two per cent on the year to 30.2 million head, as the average number of pigs weaned per litter rose to a new record high of 10.33. Intended farrowings for September to November were 2.90 million, which would be a marginal increase over the same period last year.

### New EU origin labelling proposals

The EU Commission has revealed proposals to introduce 'Country of Origin Labelling' (COOL) laws within the European Union for unprocessed meat products (including bacon). The latest proposals would require products to carry a label giving the country of slaughter and the last country in which the animal was reared. The labels would not have to list the location of the animal's birth. A vote on the new proposals is expected to take place in November with an agreement needed by December 2013. They are set to come into force in December 2014.

### Tight EU supplies set to continue

Pig supplies in the EU are expected to remain tight until at least the middle of 2014, according to figures from the EU Commission's forecasting working group on pig meat. Slaughterings fell by one per cent in the first half of 2013 but the decline is expected to be larger in the second half of the year. According to the forecasts, throughputs are set to be between three and four per cent lower than in the same period last year. This is largely the result of the decline in the breeding herd due to a combination of poor profitability and new welfare regulations. While the drop will be smaller, reduced slaughterings will continue into the first half of 2014, with a fall of one per cent forecast.

### Grain Market Outlook Conference

AHDB/HGCA's annual Grain Market Outlook Conference took place on Tuesday 15 October. The conference

examined prospects for the global cereals and oilseeds markets, as well as taking a look at the Chinese market and the resilience of the UK cereals industry. Copies of the presentations from the conference can be downloaded by [clicking here](#), with videos available on [HGCA's You Tube Channel](#).

### Chinese import trade continues to grow

The Chinese pork import market continued to strengthen in the third quarter, up by a quarter year on year, mainly the result of increased shipments from the EU and, to a lesser extent, Canada. In the first nine months of this year total Chinese imports reached a new peak of 430,000 tonnes, up eight per cent on the previous year. Germany displaced the US as the largest supplier with its shipments up 44 per cent on a year earlier. This was due to Germany's increased price competitiveness and China's requirement of a ractopamine-free test report for imported pork from the US. Overall, the value of Chinese pork imports amounted to RMB 5 billion, five per cent up on the previous year. Pig offal imports between January and September, at 607,000 tonnes, were marginally down on last year.

### Small increase in UK pig holdings

The latest UK farm holdings data from DEFRA indicate that in 2012 there was a slight rise in the total number of pigs and pig holdings in the UK compared with 2011. In June 2012, there were 11,100 commercial farm holdings with pigs. However, around half of these had fewer than 10 pigs. Excluding them, there was an average of 786 pigs per holding, a slight rise over the two previous years, although still lower than in 2005. Over 80 per cent of pigs were on the 1,360 holdings with over 1,000 head. There was also a small increase in the number of holdings with breeding pigs. However, this was due to more of the smallest holdings - those with fewer than five sows.

### Chinese acquisition of Smithfield Foods completed

Last month, the acquisition of US pork giant Smithfield Foods by China's Shanghui International Holdings Ltd was completed, following approval by Smithfield shareholders. The deal, valued at \$7.1 billion including debt, represents the biggest ever Chinese takeover of a US company. Smithfield Foods raises 15 million pigs each year and processes a further 12 million.

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

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